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# DUN'S REVIEW



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**SPECIAL MID-YEAR INVENTORY SURVEY**



#### THIS MONTH'S COVER: LOUISVILLE

*Aided by the introduction of steam navigation on the Ohio and by the construction of a canal around a nearby falls, Louisville grew swiftly in the middle of the last century. In 1840 it counted 20,000 inhabitants; in 1870, 100,000. The cover view of Louisville busy with the excitement of rapid development is a reproduction of a drawing by J. Noël, engraved by Charles Colin. . . . This print from the Phelps Stokes collection appears through the courtesy of the New York Public Library. . . . Louisville had its beginnings in 1773 in an act of the Virginia legislature which deeded 2,000 acres on the Ohio to Dr. John Connolly. Five years later, after Indian troubles had subsided, George Rogers Clark landed near there on Corn Island with some raw recruits and a number of emigrant families. When the troops continued their journey down the Ohio, the settlers moved across to the mainland. The town was laid out in 1779 and named in honor of Louis XVI, who was helping the colonies in their struggle for independence. Dr. Connolly was an active Loyalist; his estate was confiscated and a part of it granted to the embryo city. . . . On the edge of the Blue Grass country, Louisville has become the market for a farming region rich in livestock and red and white Burley. The present city, above, is noted too for meat-packing, petroleum refining, and the manufacture of iron, steel, and textile products.*



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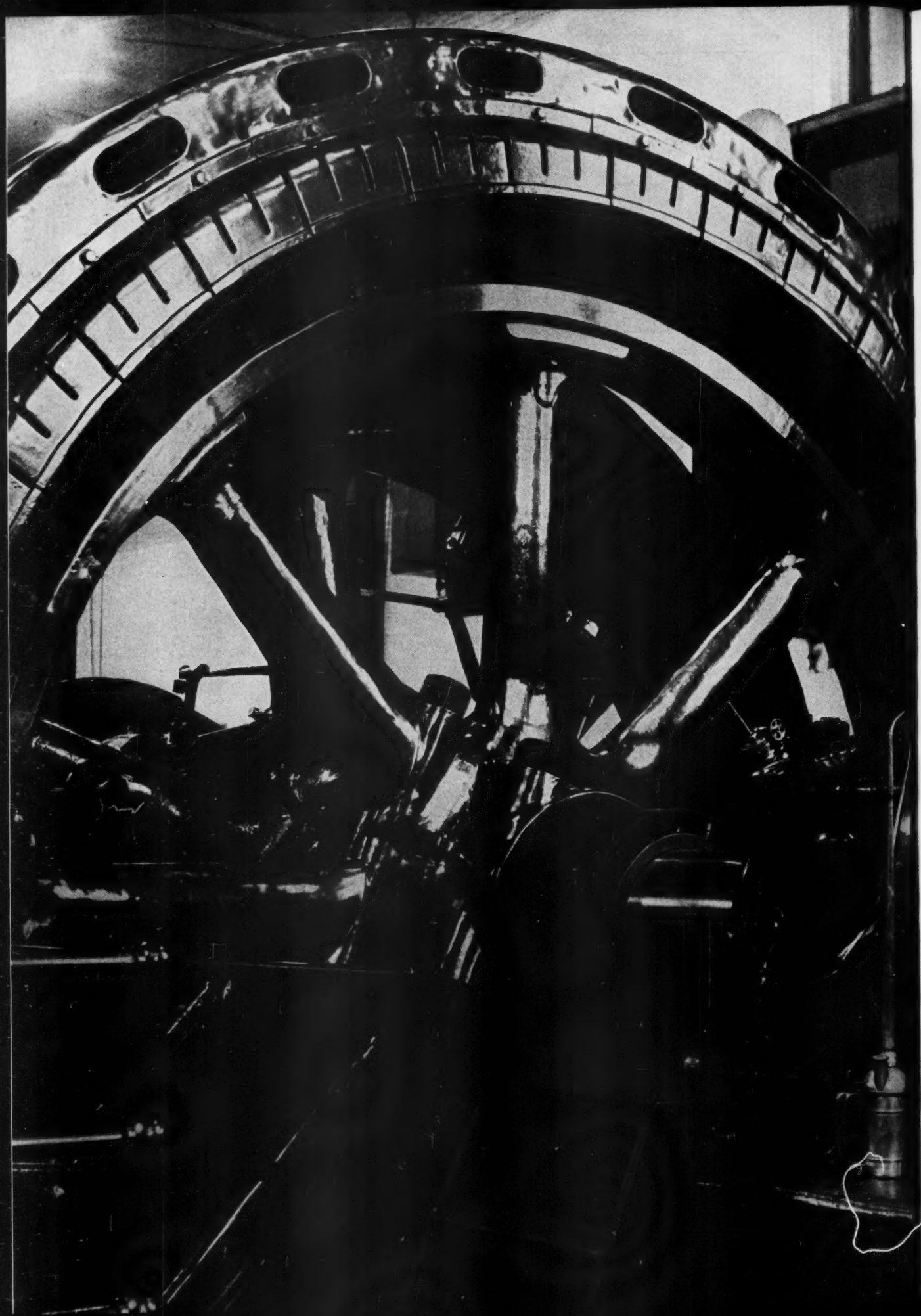
# DUN'S REVIEW FOR OCTOBER 1938



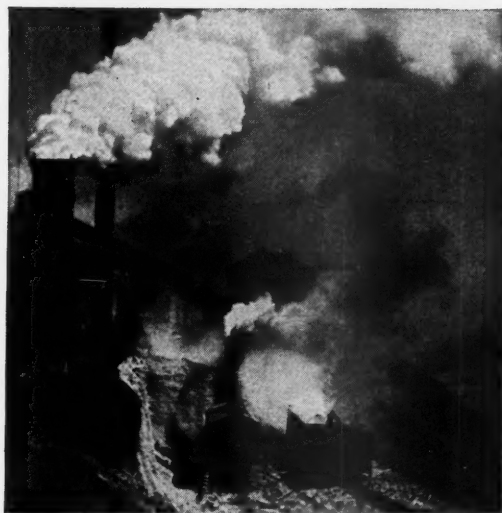
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Information about subscription rates is on page 49. . . . Second cover photograph by Fairchild Aerial Surveys, Inc. Frontispiece by Charles Phelps Cushing.







BLACK STAR

## INDUSTRY'S NUMBER ONE PROBLEM

HENRY P. KENDALL

*President, The Kendall Company  
Boston, Mass.*

THE problems which crowd upon the industrial manager of today are so diverse and so complex that it may appear over-simplification to name a "Number One Problem." Yet there is a problem of such fundamental character that it seems deserving of a place, like Abou Ben Adhem's name, above all the rest. It is the problem of the public attitude toward industry.

Is that prevalent attitude today the attitude which will prove to be best? Is it good for the country for the dominant opinion toward all employers to be tinged with scorn and distrust? Are bitterness, destructivism, suspicion, and hatred the materials out of which to build a better land? Is there room still for constructive attitudes toward industry based on reasonableness and fairness? Is the fact that American enterprise and co-operation have created the highest standards of individual economic welfare in the world to be swept into the discard because of certain undeniable imperfections in the system which created it?

*Declaring that public relations programs should be established on a basis of common sense and practicality, Mr. Kendall here outlines procedures for improving a company's relationships with specific groups. This is one of a series of articles on questions of importance to business, presenting the opinions of men whose diverse backgrounds and points of view have created decided, often conflicting, convictions.*

During recent years, there has been cultivated in our country an active scorn for industry's leaders which has swept the people like a brush fire. I do not defend industrial leadership as a class. It is not in the true American tradition to bow before class or place. But it has been in the finest American tradition to give due recognition to achievement when that achievement is solid and real. And despite the contumely heaped upon leaders of industry, the fact is unassailable that in the United States, to a greater degree than in any other country, there has been an enlightened industrial leadership as well as the chiseling type. The achievements of enlightened American management stand as a towering contribution to human welfare.

The facts of what American industry has done, in short, have been eclipsed by unfair emphasis on what it has not done. It is as though all apples deserved general condemnation because some apples on a tree have scab.

When industry rallies to defend itself its position is rendered difficult by several circumstances. In the first place, those who attack always have an advantage over those who defend. Secondly, the use of promises is denied the industrialist, whereas promises are the stock-in-trade of those who cultivate distrust. In competition with promises, all the industrial manager can point to is what industry has done. Reality somehow has less lure for human nature than dreams and castles in the air. Furthermore, it is difficult for him to tell what he has done, and get away with it, in today's atmosphere of distrust. If he lists some reasons and facts why people should, in fairness, "give him a break," his motives immediately are brought under suspicion. "Oh, he's just trying to make people contented so he can put something over! Why doesn't he . . . ?"

The industrialist is denied another powerful weapon. He cannot appeal to the dissatisfaction, for which there is almost unlimited capacity, in the average person. It is easy for the demagogue who wants the favor of other people to show what these people lack, and to promise that if they will only do thus-and-so for him, the lack will be made up. The employer simply cannot do this sort of thing.

What it is possible and desirable for me as the head of an industrial company to say to those within the company and to the communities where we operate, is greatly circumscribed. These limitations which my associates and I accept and live within do not exist for those who are out to change the social and economic order. They can say anything and get away with it.

The whole situation is ironic, but it is nonetheless real. We in industry cannot—or, if we can, we have not yet done so in any material measure—appeal to sentiments, feelings, hopes, desires, to all of the actuating mechanisms of human behavior, with the directness, warmth, and vigor which are utilized by those who want to be given the power to make us over. Yet our actual contributions to human good stand as a record of the years, whereas the promises of our worthy



INDUSTRIALIST, BANKER, ADVISOR

*Henry Plimpton Kendall was born in 1878 in Boston, Mass. After graduation from Amherst College he became a partner in the Holliston Mills, in Norwood, Mass., and later on became associated with the Lewis Manufacturing Company, in Walpole. When in 1924 the Kendall Company was formed to own and operate several mills in New England and the South he became its president, an office he still holds. He is also president of the Walpole Trust Company.*

*Meanwhile Mr. Kendall has assumed further responsibilities for State and Federal Governments. In 1917 he served on the War Industries Board; in the early years of the depression, the Massachusetts Commission on the Stabilization of Employment; since 1933, the Business Advisory Council of the U. S. Department of Commerce and the Federal Advisory Council of the U. S. Department of Labor. He is the author of two books on profit-sharing.*

opponents often have slight justification beyond the winsome sounds of the sweet syllables which drop from their lips.

Our appeals must be held at decently low temperatures. We cannot "get hot." Yet a certain degree of heat is essential in order to create conviction. Cold truth, unfortunately, is less effective in making favorable impressions than warm error. Furthermore, we speak, when we do speak, largely by devices of impersonality, as corporations, as companies or as associations, in spite of the basic fact of human nature that human personality is the most effective medium through which favorable contact is established.

In view of such difficulties, it might seem as though the only course remaining is to sit tight and wait until the pendulum of events swings back, and time spells out the resistless logic which cannot be denied.

The do-nothing possibility does not appeal to men with active responsibility for industry and business. I believe it is generally agreed that private enterprise has an obligation to demonstrate and to prove its case and that counter blows must be struck in order to preserve the entire structure upon which private enterprise is based. There is general agreement as to the necessity of doing something.

On the crucial point, however, of what to do and how to do it, there is no such unanimity. The subject has been obscured by tall talk and by generalization. The public relations expert is abroad in the land, and one of his characteristics is the cultivation of mystery, apparently, as to the exact nature of the magic he offers. One of our needs is to reduce this thing of public relations to the realm of solid earth and to establish it on a basis of common sense and practicality. My personal viewpoint is that the business man, the industrial executive, and all others who have positions of leadership should endeavor to find not so much the inner meaning of the public relations mysteries, but a solid, sensible basis for contributing to a better understanding of what makes business and industry tick and why. This can be done under the banner of public

relations or it can be done under the name of X, Y, Z.

First of all, what are the limitations of the industrialist and the business man in bringing about a truer understanding of the fundamentals of the system of private enterprise than has been disseminated by those whose avowed or secret purpose is to abolish the system? Well, for one thing, the average business man or industrial executive cannot by the nature of his position indulge in broad public influence. His opportunities for nation-wide radio broadcasting are somewhat limited and his abilities for that task probably do not rate as high in the estimation of the dialers as Charlie McCarthy or Jack Benny. General efforts on the part of the business man are not the ones which offer the largest possibilities. These are presented by the actual contacts of the individual business or industry with individuals and other organizations. It is toward their cultivation that the individual business man should devote more time and attention than he has in the past. Those contacts are as follows:

1. Employees
2. Suppliers of Materials
3. Customers
4. The Community
5. Stockholders

There may be other groups, but these are the principal ones. The individual company should re-survey all these contacts in the light of how much they know about the company; what they know that isn't so, and why. Industry is not a monstrous creature out there in the dark, and business is not a bugaboo. Industry and business are "folks." They are your neighbor and mine. They are the people you know and do business with every day. Industry and business not only are the factory down by the railroad which makes tools or cotton goods or foodstuffs or automobiles, but they also are the butcher and the baker and the shoe repair

man and the newspaper you read and the radio you listen to. People have been fed the idea that industry is some preying, soulless automaton with green eyes and a ravenous maw crushing the bones and flesh of people in order to satisfy a hungry greed. Of course, "There ain't no sich animal," and any person who stops to think, a practice which is quite rare, knows there isn't. A major assignment which we in industry must accept and carry forward is to prove, and then keep on proving, that this is not the truth.

I. EMPLOYEES. What do your employees know about business and why? Do they get their ideas entirely from people who have plenty of theories but no record of having made the theories work? Or are they being shown what industry is by those who have proven themselves capable of creating products, sales, employment, and, yes, profits, as well as promises?

The employee aspect of the problem is so big that it is impossible to make more than a few observations here, but in the main I believe the mistake industry has made in the past is in believing that because people worked in the Jones plant, automatically they should be pro-Jones and pro-everything that Jones stands for. Human nature isn't made that way. Employees judge industry by their own experiences with it. When they see something that they don't understand, they either make up their own explanation of it or they listen to someone who offers a plausible one. Often that has not been Jones, but someone utterly opposed to Jones and all his works.

Great mistakes have been made by not interpreting to employees the reasons for the inevitable changes which occur in the methods, machines, and other conditions under which they work. I have seen an employer, for example, in the textile industry try to introduce specialization of work—which means simply that a spinner spins, a weaver weaves, a doffer doffs, and a

GENDREAU





cleaner cleans instead of having one person do a variety of different jobs—by posting a notice on the bulletin board. Naturally, he had a strike on his hands. The employee hadn't been shown. He hadn't been told of the reasons and the conditions which made work specialization imperative. Incidentally, the best way to get things across to employees is not by impersonal but by personal methods. Use less printer's ink; more actual contact. We have used posters in our plants from time to time for purely educational purposes. Invariably, regardless of their contents, the rumor has been provoked that they were being posted to lead up to a wage cut.

Reasons why changes are made and why things are done are of tremendous importance. Often a frank, full statement of the reasons will prove satisfying even though unpleasant. I know of a situation where wage cuts had to be made. The factory employees were cut 12 per cent. The foremen were not cut at all. The office help were cut 10 per cent. The question of why these three different treatments was a burning question, so much so that it threatened to be too hot to handle. The manager of the mill decided to follow his policy of complete frankness, and he told exactly why, namely: that whereas factory people had had three wage increases to one wage reduction, in the same period foremen had had no increases and office people had had none. He was able to show that on a comparative basis the factory people were much better off even with the cut than the foremen or the office help. The mutterings subsided and what threatened to be a major bone of contention crumbled into dust.

Back of all this sort of intelligent handling of the problem of employee understanding was a company policy. So often there is no such policy. Today, it is imperative that there be one. Human problems are printed today in bold type. They cannot be ignored. There must be an organization set-up to handle them, where the company is of any considerable size. One man's personality, especially if he is an executive with many other duties, is not effective enough, when it filters through to the employee at bench or lathe, to do the day-in-day-out job of interpretation. That is for foremen, department heads, and for the natural rub of employee and employee, and it should not be forgotten that there are plenty of conservatively-minded employees in American business and industry. The difficulty is that they often are inarticulate. Management should try to make them articulate and to furnish them with raw truth, which they can dish up to their fellows.

It is important that the top management have a philosophy on this whole subject and that head execu-

tives come into contact as often as possible with the people down the line. Absenteeism should be condemned. It has done much harm. I know of one company whose president, up to a recent reorganization of the company—and I often have wondered if the reorganization was not subtly connected with this fact—had not visited the main plant in six years, and yet it was only thirty miles from his office. In another instance, the president of a manufacturing company was showing me through the principal plant, and I noticed he called none of the factory people by name and knew only three of the office force. He confessed that he had been in the plant only once in three years.

In contrast to these two cases, there comes to mind the X Company. Its policy and practice provide for contact of all those working in the business. Out of that contact has come understanding and co-operation. This X Company has a long record of harmonious relationships. There never has been a major labor disturbance in any of its dozen or more plants.

Every six months, at the same time that a financial statement is furnished stockholders, this company sends a letter to each individual employee, telling of the company's progress, reporting its earnings, and giving the employee other information about the state of affairs in his company. Once a year the president visits each of the plants, hires a suitable meeting place and invites not only the employees but their wives and children. They all sit down and eat a meal together, these people with their common interest in this industrial enterprise, and then the president tells what has happened during the past twelve months.

It is true, of course, that regardless of the best efforts of management, employees today seem easily weaned away from many of the sound truths which experience has shown to be essential to industrial well-being, which of course means employee well-being, but in the main I am confident that a real change can be made in the attitudes of employees generally when more individual companies put into effect a systematic, intelligent program of information. I don't mean propaganda. I mean interpretation of the whys and the wherefores, using as the raw educational material not general facts about matters far removed from the employee's common experience, but illustrations and arguments and reasoning taken from the things he knows and understands.

2. SUPPLIERS OF MATERIALS. The opportunities are particularly great where suppliers are from the farm group and similar non-business groups. Farmers have been told that industry is "agin" them. There is a real obligation and opportunity to prove that this isn't so

*(Continued on page 48)*



# A SPECIAL MID-YEAR SURVEY OF INVENTORY TRENDS

*Supplementing the Survey of Business Trends, 1935-1937, This  
Report Presents New Estimates of Stocks as of June 30, 1938*

**I**NVENTORIES occupy a blind spot in our economic knowledge. For years we have had steadily improving records of prices, production, sales, employment, and even profits. We know much more about the movement of goods than about their sticking-points.

In the long run, a merchant or manufacturer buys only what he can sell, and sells only what he has bought. But in short-run practice, purchases and sales are seldom in close adjustment. He may accumulate inventory through a deliberate decision to anticipate a price increase or a labor dispute, or he may have an increased inventory thrust upon him by the failure of his sales to equal his expectation. The fact remains that the process of accumulating inventory is a decidedly stimulating factor on business activity, permitting production to exceed final consumption. But once accumulated, this inventory tends to press on markets, to strain financial resources, and in case of a down-turn to permit produc-



tion to drop below final consumption.

The Mid-Year Inventory Survey is presented here in response to many requests to carry forward the inventory data shown in the Survey of Business Trends (DUN'S REVIEW, May 1938). The earlier Survey showed that the value of inventories in the hands of manufacturers, wholesalers, and retailers had increased by 14 per cent during 1936 and another 17 per cent during 1937, a total increase of 33 per

cent, or five and one-quarter billion dollars, taking the two years together. The present Survey shows that a reduction of about 6 per cent from that high level took place during the first six months of 1938. The equivalent dollar value of this decrease is almost one and one-third billions, and constitutes a retreat of one-fourth of the distance advanced in the previous two years. Thus the two Surveys trace the movement of inventories from the dawn of good business and confidence in 1935 through the high noon of over-confidence in 1937 to the cloudy and troubled business atmosphere prevailing during the first half of 1938 (Table I).

In any effort to appraise long-term inventory trends two basic difficulties should be kept in mind: the absence of any accurate idea of "normal" as applied to inventory levels; and the presence of violent seasonal fluctuations in the inventories of some industries and trades. Photographs at widely scattered points of time, such as the series of surveys under discussion, may help to outline our economic history, and move toward a discovery of "normal"—if it exists. However, such periodic pictures are more than likely to fail to focus on the high or low spots—missing the point by a few months. Only monthly reporting programs such as are carried forward by some industries will yield the data needed for a thorough knowledge of the seasonal tides. The seasonal is eliminated by year-to-year comparisons but must be considered in the interpretation of the present Survey data, showing

## I. UNITED STATES TOTAL INVENTORY VALUES AND TRENDS FROM DECEMBER 31, 1935, TO JUNE 30, 1938

Figures as of the Close of the Periods Indicated—

	1935 Census (\$ Million)	Change During 1936 Per Cent	1936 Estimate (\$ Million)	Change During 1937 Per Cent	1937 Estimate (\$ Million)	Change During First Half of 1938 Per Cent	First Half of 1938 Estimate (\$ Million)
MANUFACTURING *	9,328†	+14	10,647	+21	12,856	-8	11,868
WHOLESALE	2,276	+18	2,675	+12	2,999	-5	2,849
RETAILING	4,298	+11	4,771	+10	5,267	-4	5,079
TOTAL	15,902	+14	18,093	+17	21,122	-6	19,796

\* Does not include meat-packing. † Estimated from Census and Income Tax figures.

the change during a six-month period.

Focusing on the field of manufacturing alone, the 38 per cent increase during 1936 and 1937 added over \$3,500,000,000 to the value of inventory. Thus a reduction of 8 per cent during the first half of 1938 looks bigger in money than in percentage form, inventories having been depleted by almost \$1,000,000,000. As in the case of the grand total, manufacturers' inventories were pruned back by about one-fourth of their previous two years' growth (Manufacturing detail in Table III).

Wholesalers' inventories grew somewhat less luxuriantly during the business prosperity of 1936 and 1937; consequently, appear to have needed less pruning. The 32 per cent increase in the two years ending last December added over \$700,000,000 to the value of wholesalers' holdings, while the 5 per cent decrease during the first half of 1938 subtracted about \$150,000,000. Almost four-fifths of the increase in wholesalers' stocks has been retained, at least in terms of values on the books (Wholesaling detail in Table IV).

Retailers' inventories are much less headlong in their movement than either manufacturers' or wholesalers' stocks. During 1936 and 1937 the total retail inventory estimate showed an increase of only 23 per cent—about two-thirds as great as the rate among manufacturers. Similarly the decline during the first half of 1938 is only 3.6 per cent, less than one-half as rapid as among manufacturers. In dollar form this places a subtraction of \$187,000,000 against a previous increase of \$969,000,000. The pruning process has removed a little less than one-fifth of the total retail inventory growth (Retailing detail in Table V).

Insofar as the contributing concerns observed the usual accounting policy

of valuing inventories at cost or market, whichever is lower, the question of relative price levels at the end of these two inventory periods would be in-



EWING GALLOWAY

volved in any effort to interpret the changes in the actual physical supply of goods on hand. Just as, in 1937, an

during recent months to account for much of the recorded decrease.

The Wholesale Price Index of the Bureau of Labor Statistics which climbed from 80.6 in January, 1936, to a high of 87.9 in the middle of 1937, was down to 81.7 by the close of the year, a net decline for 1937 which just about balanced the advance during 1936. The index declined another 4.2 per cent during the first half of 1938 to a level of 78.3 for June.

If it is assumed that the bulk of inventory on any given date was purchased during the previous three months and valued more or less accordingly, comparison might be made with the average price index level for three months prior to each inventory date instead of the price levels at the ends of December and June. If this is done the comparable price decline from January to June is 6.1 per cent.

Most of the figures shown in the tabulations of this and other surveys are averages. What do they mean? Business statisticians in general are so busy raising these averages on their acres of work-sheets and the business public is so busy consuming averages—with or without the dressing of editorial comment—that we stop too infrequently to consider just what kind of vegetable the average is. Findings of the present Survey call to mind the classic discovery by the *Literary Digest* three years ago, that you can't average just anything together and get the right answer.

When all of the reporting manufacturers are classified in sales volume groups regardless of industry, all the reporting wholesalers by sales volume, regardless of trade; when chain organizations and mail-order

houses are separately grouped and the remaining retailers classified by size, the difference between the records of large and small concerns during the

## II. TRENDS OF INVENTORIES BY SIZE OF CONCERN

SIZE GROUPS OF CONCERNS WEIGHTED ACCORDING TO THEIR IMPORTANCE IN THE SEVERAL INDUSTRIES AND TRADES

SALES VOLUME	PER CENT CHANGE IN INVENTORY AS OF CLOSE OF PERIOD	
	1935 TO 1937	1937 TO JUNE, 1938
<b>MANUFACTURERS*</b>		
\$10,000,000 and over.....	+39.1	-11.1
\$1,000,000 to \$10,000,000..	+37.9	-8.3
\$500,000 to \$1,000,000.....	+34.6	-10.1
\$200,000 to \$500,000.....	+28.3	-6.2
\$100,000 to \$200,000.....	+23.1	-3.9
Less than \$100,000.....	+26.7	-1.8
ALL MANUFACTURERS*.....	+36.9	-9.7
<b>WHOLESALESA</b>		
\$500,000 and over.....	+29.5	-8.5
\$300,000 to \$500,000.....	+26.7	-3.3
\$200,000 to \$300,000.....	+20.2	-1.7
\$100,000 to \$200,000.....	+18.4	-0.3
\$50,000 to \$100,000.....	+21.9	+2.3
Less than \$50,000.....	+34.1	+1.4
ALL WHOLESALESA.....	+26.8	-5.0
<b>RETAILERS</b>		
\$100,000 and over.....	+21.2	-11.0
\$50,000 to \$100,000.....	+23.1	-3.2
\$30,000 to \$50,000.....	+22.5	-0.8
\$20,000 to \$30,000.....	+18.9	+0.2
\$10,000 to \$20,000.....	+22.5	+1.9
Less than \$10,000.....	+27.0	+3.7
Chains.....	+15.1	-1.4
Mail-Order Houses.....	+33.1	-7.9
ALL RETAILERS.....	+21.9	-3.6

\* Excludes following industries where size breakdowns are not reliable: Meat Packing, Breweries, Beverages—Non-Alcoholic, Fruit and Vegetable Canning, the "All Other Foods" group, Silk and Rayon Goods, Furniture, Boxes—Paper, Tires and Other Rubber Goods, and the "Miscellaneous" group.

unknown but considerable part of the increased value of inventories was the result of price increases; similarly price declines have been sufficiently great

first half of 1938 becomes strikingly evident (Table II). Although these averages by size groups show decreases in the inventories of all sizes of manufacturing concerns, the largest outfits deflated inventories more than four times as rapidly as the small ones. The same tendency is evident specifically in the following industries:

Baking  
Flour and Feed Milling  
Paper Boxes  
Paint, Varnish, and Lacquer  
Stone, Clay, and Glass Products Group  
Iron and Steel Products Group  
Machinery and Transportation Equipment  
Men's and Boys' Clothing  
Furniture  
Other Forest Products  
Leather Tanning  
Shoes  
Non-ferrous Metal Products  
Tires and Other Rubber Goods

In the same direction but more extreme are the following industries where small concerns report increased inventories, while the large ones show an average curtailment of holdings:

Woolen and Worsted Goods  
Drugs, Perfumes, Cosmetics  
Cotton Textiles  
Other Textile Products

Contrary to the general trend are a few significant instances where the large concerns were increasing their inventories while the small ones depleted theirs:

Confectionery  
Paper and Paper Products  
Tobacco Products  
Hosiery  
Petroleum Refining

With representatives of all wholesale trades arranged in parade squads by size, those selling more than a \$100,000 volume depleted inventory most rapidly while the smaller wholesalers in the two bottom groups added somewhat to their holdings. The tendency which created this broad picture was strongest in the following specific wholesale trades where the large organizations pursued a policy of depleting stocks while the small houses added somewhat to theirs. These trades are:

Groceries and Meat  
Clothing and Furnishings  
Building Materials  
Automotive Equipment  
Tobacco Products

#### MID-YEAR INVENTORY SURVEY

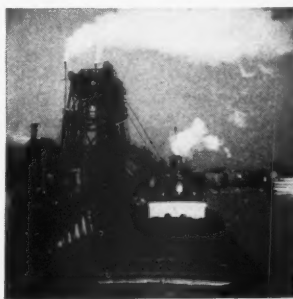
THE PRESENT Survey carries forward the inventory data shown in the Survey of Business Trends, DUN'S REVIEW, May, 1938. Astounding evidence of the widespread interest in the inventory problem, the return on the questionnaires of the Survey was 80 per cent. On July 14 23,500 questionnaires were mailed to contributors who had participated in the earlier Survey and about 19,000 voluntary returns were received from this mailing during the subsequent four weeks. These were supplemented by about 2,000 additional records from large corporations.

Out of this total of 21,000, some 19,000 complete and correct schedules have been used in the tabulation. These concerns reported a grand total of \$3,887,000,000 of inventories at the start of 1938 and sold an estimated volume of \$24,300,000,000 in 1937. The figures for June 30 therefore are based on an estimated 18 per cent sample of American manufacturing, wholesaling, and retailing transactions.

This project is one of the activities of the DUN & BRADSTREET Research and Statistical Division and was supervised by Walter Mitchell, Jr., and Fernley G. Fawcett, under the direction of Willard L. Thorp.

Alcoholic Beverages  
Dry Goods  
Drugs  
Plumbing and Heating Supplies

In only one wholesale trade, paint and varnish, were the reports consistently contrary to this general tendency. The estimated increase of total inventories for the trade was most heavily



influenced by the large concerns and only the smallest groups with sales of less than \$50,000 show a decrease in their holdings.

Similarly, while mail-order houses depleted their inventories more radi-

cally than any other group and the chains held their stocks about in line with January levels, the remaining independent retailers showed the same tendency remarked among manufacturers and wholesalers. Retailers above the \$30,000 annual sales level—who supply a large part of the consumers' needs—depleted inventories more or less in proportion to their size; while the small retailers—who nevertheless constitute the majority of retail enterprises—were holding their inventories more or less steady or increasing them slightly. This tendency also appears in 14 of the 25 specific retail trades analyzed. The instances are as follows:

Groceries (Independent)  
Groceries and Meats (Independent)  
Country General Stores  
Men's and Boys' Clothing  
Women's Clothing and Accessories  
Family Clothing  
House Furnishings and Floor Coverings  
Furniture  
Hardware  
Farm Implements  
Automobile Accessories  
Drugs and Cosmetics (Independent)  
Coal and Other Fuel  
Stationery and Books

In three instances where the aggregate inventories for the trade have increased considerably, every size group within the trade has contributed to the increase. These are:

Paint, Wallpaper, and Glass  
Hardware and Farm Implements  
Filling Stations (Independent)

Lumber and building material dealers report the reverse of the usual situation, with increased inventories among the large concerns and the maximum decreases among the small ones.

It is impossible to venture more than guesses as to the cause of these differences. It is commonly said that large concerns are more likely than small ones to have both the working capital and the inclination to make speculative purchases during periods when they expect higher prices or labor trouble among their suppliers. Conversely, such operators would be in a better position to "live off from inventory" during a period of falling prices. This seems to be particularly applicable to

manufacturing where there was a noticeable tendency for the larger concerns to accumulate inventory more rapidly than the small ones during 1936 and 1937 (DUN'S REVIEW, August 1938).

Among wholesalers reporting in the earlier surveys, however, there is no such consistent tendency. In fact the smallest increase was reported by the sales volume group between \$200,000 and \$300,000 which now registers the third largest decrease. The previous analysis of wholesalers' inventory trends by trades has moreover shown some tendency for small wholesalers to build up inventories more rapidly than large houses in the same two-year period.

#### Small Retailers

Small retailers showed a marked tendency to build up inventories more rapidly than the large stores during 1936 and 1937, and they have continued slight increases into 1938 while the large concerns were retrenching. Perhaps this news confirms those retail observers who say that small shopkeepers have been busily broadening their line for the past three years in response to the urgings of the advertising and promotion men. The small groceries carry more quick-moving toilet sundries and tobacco lines; the small druggist has more handy hardware and food specialty items; the little filling station displays a wider line of gadgets and more frequently carries tires. Again it may be that some small stores had dropped inventories to depression lows far beneath the basic minimum needed to hold the public, with stocks not yet up to the point where they satisfy the proprietor or his customers.

Of far more lasting significance than the figures presented in this survey is evidence that the published results of large corporations cannot safely be used alone to interpret the economic trend of the United States. Where the present survey estimates that manufacturers' inventories declined by 8 per cent during the first half of 1938, two

### III. MANUFACTURERS' INVENTORY TRENDS FROM DECEMBER 31, 1937, TO JUNE 30, 1938

	CONCERNS REPORTING		TOTAL U. S. INVENTORY ESTIMATES		
	Total Number	Decreased Inventory Per Cent	December 31, 1937 (\$'000,000)	Six-Month Change Per Cent	June 30, 1938 (\$'000,000)
<b>TOTAL MANUFACTURING*</b> .....	5,016	60.5	12,856	— 7.7	11,868
<b>FOOD*</b> .....	475	55.1	908	— 9.6	821
Baking.....	68	71.7	107	—15.2	91
Breweries.....	36	20.0	46	+21.5	56
Beverages—Non-Alcoholic.....	74	27.1	25	+ 3.3	26
Confectionery.....	50	53.1	60	+ 7.3	64
Fruit and Vegetable Canning.....	42	55.0	224	—18.1	183
Flour and Feed Milling.....	96	83.1	118	—26.1	87
All Other Foods.....	109	52.9	328	— 4.4	314
<b>TEXTILES AND CLOTHING</b> .....	667	57.1	1,375	— 7.8	1,268
Woolen and Worsted Goods.....	44	63.6	179	—17.3	147
Cotton Textiles.....	48	63.8	295	— 9.5	267
Silk and Rayon Goods.....	18	64.7	85	—16.3	71
Men's and Boys' Clothing and Furnishings.....	164	60.6	231	— 8.9	211
Women's and Children's Clothing and Furnishings.....	136	62.6	127	— 2.4	124
Hosiery.....	51	49.0	88	+ 2.1	90
Other Textiles and Products.....	206	48.4	370	— 3.3	358
<b>FOREST PRODUCTS</b> .....	399	52.8	615	— 6.7	574
Lumber and Planing Mill Products.....	149	50.8	284	— 4.4	271
Furniture.....	130	57.3	137	— 3.2	133
All Other Forest Products.....	120	50.5	194	—12.4	170
<b>PAPER, PRINTING, AND PUBLISHING</b> .....	732	58.6	511	— 3.3	494
Paper and Paper Products.....	125	60.7	247	— 4.0	237
Boxes, Paper.....	42	65.9	55	— 5.6	52
Photo-engraving.....	71	56.5	35	+ 0.3	35
Printing and Binding.....	302	58.1	59	— 5.2	56
Newspaper Publishing.....	192	56.9	115	— 0.8	114
<b>CHEMICALS, DRUGS, AND PETROLEUM</b> .....	346	61.9	1,231	— 2.4	1,201
Chemicals and Chemical Products.....	145	62.7	512	— 3.5	494
Drugs, Perfumes, and Cosmetics.....	71	52.2	81	— 4.9	77
Paints, Varnish, and Lacquers.....	88	70.0	123	— 7.5	114
Petroleum Refining.....	42	59.0	515	+ 0.3	516
<b>LEATHER AND LEATHER PRODUCTS</b> .....	134	57.1	491	—12.7	428
Leather Tanning.....	21	81.0	204	—18.2	167
Shoes.....	49	66.7	248	—10.6	221
Other Leather Products.....	64	41.7	39	+ 2.3	40
<b>STONE, CLAY, AND GLASS PRODUCTS</b> .....	265	64.6	298	—10.3	267
Stone and Stone Products.....	174	62.3	137	— 9.1	125
Clay and Glass Products.....	91	69.1	161	—11.2	142
<b>IRON AND STEEL PRODUCTS</b> .....	606	68.6	1,911	—11.8	1,685
Iron and Steel.....	19	84.2	1,219	—13.4	1,056
Foundries.....	94	71.3	66	—11.6	58
Iron and Steel Products.....	295	68.0	408	—10.0	367
Hardware.....	198	66.7	218	— 6.6	204
<b>MACHINERY AND TRANSPORTATION EQUIPMENT</b> .....	765	67.4	2,657	—16.4	2,221
Electrical Appliances, Tools, and Radios.....	134	72.4	699	— 3.2	676
Machine Shops.....	112	48.4	313	— 4.4	299
Agricultural Implements.....	34	76.5	211	—14.9	180
Engines, Turbines, Tractors.....	37	74.3	98	—16.7	82
All Other Machinery.....	326	66.2	454	—12.8	396
Automobiles.....	12	83.3	501	—37.6	313
Automotive Accessories and Parts.....	110	74.5	381	—27.8	275
<b>MISCELLANEOUS</b> .....					
Non-ferrous Metal Products.....	221	66.7	220	—10.6	197
Jewelry, Silverware, etc.....	40	57.1	60	— 5.2	57
Tires (and other rubber goods).....	52	59.2	251	— 3.7	242
Tobacco Products.....	29	55.2	631	+ 5.0	663
All Other Manufacturing.....	285	49.2	1,697	+ 3.1	1,750

\* Inventories of meat-packing omitted.



earlier estimates from other sources had placed the decrease at 17 and 21 per cent, respectively. Another published estimate found wholesalers' inventories down by 12 per cent between February 1 and the end of June as compared with the present survey estimate of 5 per cent decline in six months.

It develops that these differences are matters of sampling, a problem whose difficulties are well known to every wholesale buyer of produce. The big apples were on top, and in the necessary haste of developing prompt business figures, it was assumed that the

well-known little apples underneath were of the same kind and color.

The DUN & BRADSTREET Survey is based on reports from over 5,000 manufacturing concerns, whose inventories aggregated \$2,700,000,000 at the close of June, as compared with 50 corporations and \$222,000,000 of stocks which form the basis for one of the previous estimates; 66 corporations and \$582,000,000 aggregate inventory the basis for the other estimate. The trends of large corporation inventories as found in the present survey agree closely with previously published estimates, but

computations which give small organizations their proper weight according to Census figures greatly modify the picture presented by smaller samples.

Although a stew pot containing all the published inventory figures might not always give forth alluring and misleading odors it did so this year. Straight totals happened to give excessive weight to automobile and automobile accessories companies. These in turn happened to be the two manufacturing industries which have shown the greatest reduction of inventories. To avoid these difficulties, the present survey estimates have arrived at industry and trade totals by using size weights and at national totals by using industry weights derived from Census and Treasury Income Statistics.

### Marketing Aid

Least commonly emphasized in analyses of such data as these are the records of the individual concerns composing the sample. By no means did they all think or act alike in their management of inventories. The proportion of concerns in any industry or trade reporting decreased stocks seems important from the marketing standpoint, since it indicates to suppliers the proportion of customers who may now or may soon be able to place orders.

Sixty per cent of all reporting manufacturers had smaller inventories at the middle of the year than at the start. In several industries this percentage exceeds 65, suggesting the possibility of a favorable flow of orders in the near future. They are:

Baking  
Flour and Feed Milling  
Paper Boxes  
Paint, Varnish, and Lacquer  
Leather Tanning  
Shoes  
Clay and Glass Products  
Iron and Steel  
Foundries  
Iron and Steel Products  
Hardware  
Electrical Appliances  
Agricultural Implements  
Engines, Turbines, Tractors  
All Other Machinery  
Automobiles  
Auto Accessories and Parts  
Non-ferrous Metal Products

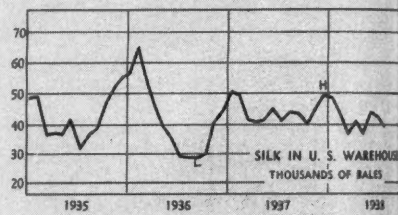
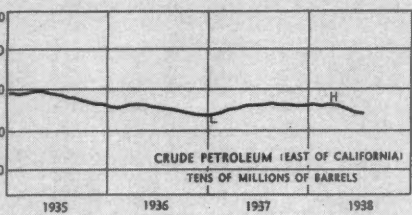
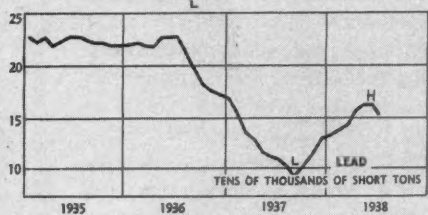
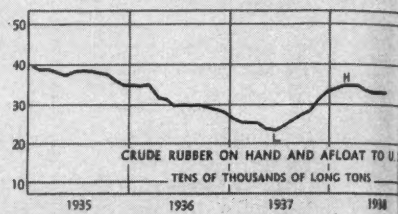
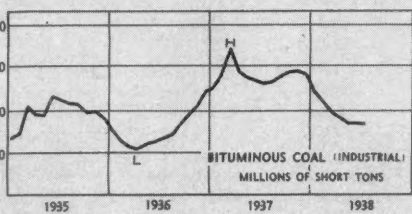
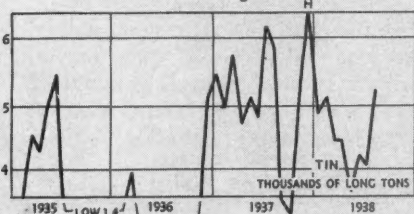
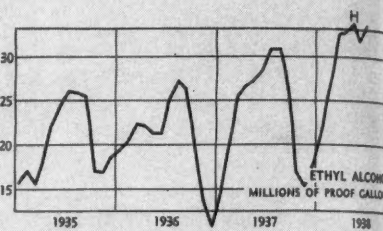
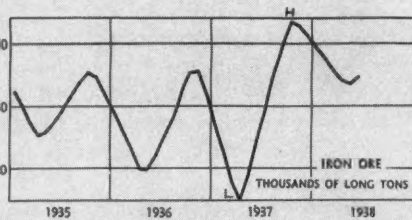
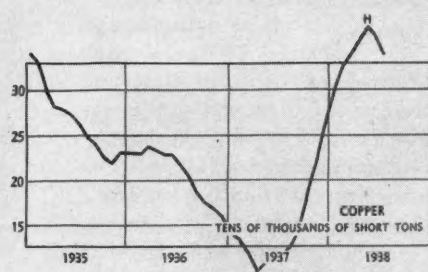
### IV. WHOLESALERS' INVENTORY TRENDS FROM DECEMBER 31, 1937, TO JUNE 30, 1938

	CONCERNS REPORTING		TOTAL U. S. INVENTORY ESTIMATES		
	Total Number	Decreased Inventory Per Cent	December 31, 1937 (\$'000,000)	Six-Month Change Per Cent	June 30, 1938 (\$'000,000)
TOTAL WHOLESALE .....	2,360	53.4	2,999	- 5.0	2,849
FARM PRODUCTS AND FOODS .....	750	53.7	1,025	- 4.5	978
Confectionery .....	83	38.7	14	+ 7.0	15
Dairy Products .....	83	32.5	20	+27.9	26
Groceries and Meats .....	268	66.0	251	- 8.5	230
Meats and Fish .....	50	47.8	26	-14.4	22
Other Food and Grocery Specialties .....	81	39.5	168	+ 6.2	178
Produce and Fruits .....	93	64.0	31	- 0.8	31
Other Farm Products .....	62	58.6	435	- 8.2	399
Beverages—Alcoholic .....	30	48.3	80	- 3.3	77
DRY GOODS AND CLOTHING .....	258	59.4	324	- 7.9	299
Clothing and Furnishings .....	103	60.4	92	- 3.3	89
Dry Goods (General Line) .....	155	58.7	232	- 9.7	210
LUMBER, BUILDING MATERIALS, AND HARDWARE .....	140	50.0	267	- 2.3	261
Lumber, Millwork, and Building Materials .....	77	50.0	142	- 3.1	138
Hardware .....	63	50.0	125	- 1.4	123
CHEMICALS AND DRUGS .....	64	44.1	87	+ 0.4	87
Drugs .....	38	42.4	73	- 1.1	72
Paints and Varnishes .....	26	46.2	14	+ 8.4	15
PETROLEUM AND PETROLEUM PRODUCTS .....	141	42.1	23	-14.2	20
AUTOMOTIVE EQUIPMENT .....	172	47.8	106	- 1.0	105
SUPPLY HOUSES .....	396	53.6	264	- 1.1	260
Plumbing and Heating Supplies .....	93	47.7	60	- 0.8	59
Machinery and Equipment .....	65	59.0	111	- 1.6	109
All Other Miscellaneous Supplies .....	238	54.5	93	- 0.9	92
MISCELLANEOUS .....					
Electrical Goods and Appliances .....	116	69.2	126	-11.2	112
Furniture and House Furnishings .....	39	69.2	72	- 3.1	70
Paper and Paper Products .....	74	56.9	68	- 4.7	65
Tobacco Products (except leaf) .....	51	44.7	46	- 1.8	45
All Other Wholesale .....	159	49.7	591	- 7.5	547

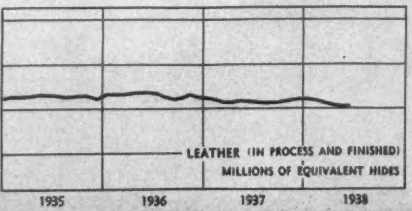
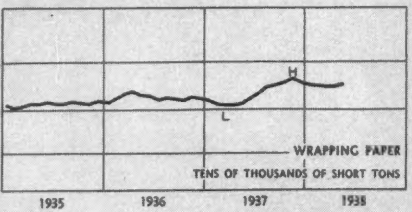
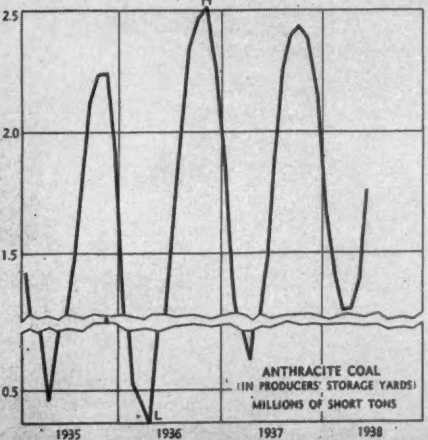
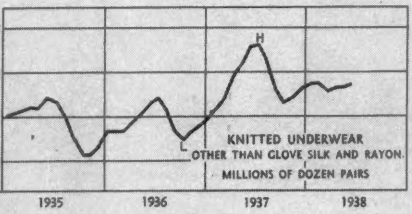
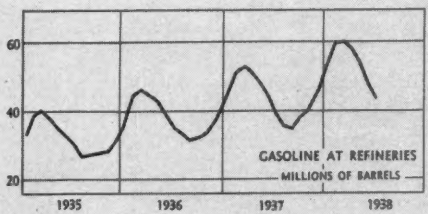
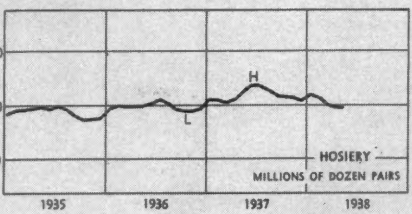
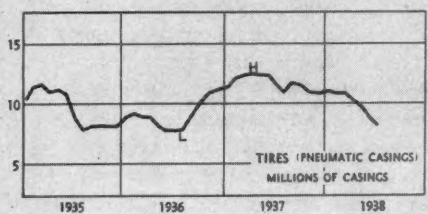
## INVENTORY BEHAVIOR OF 20 SELECTED COMMODITIES, 1935-1938

(Data from various association and governmental sources as published in the Survey of Current Business. Physical volume scales on the charts have been adjusted so that the same percentage change in each commodity occupies the same vertical distance.)

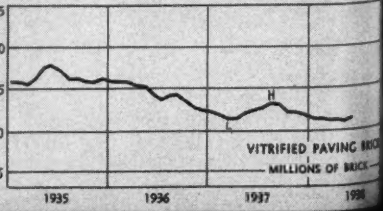
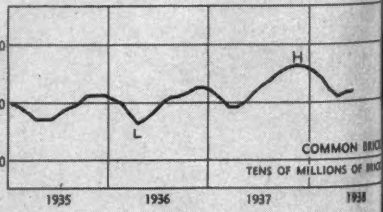
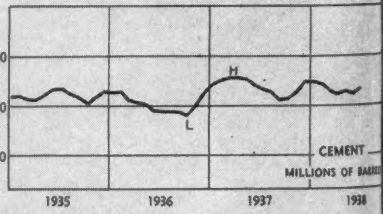
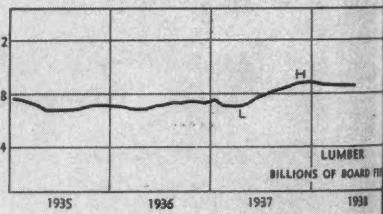
### MANUFACTURERS' RAW MATERIALS



### CONSUMPTION GOODS



### BUILDING MATERIALS



In the instance of flour milling this probably reflects the seasonal low awaiting the new crop of wheat. The automobile and accessory records are the result of valiant efforts to bring inventories in line with greatly curtailed sales. Until the reception of new models by the public has been appraised, the possibility of broad purchases of materials remains an unknown factor.

Only a few more than half of all the reporting wholesalers had reduced stocks during 1938. Specific trades where the proportion of such cases is significant and runs higher than 55 per cent are as follows:

Groceries  
Clothing and Furnishings  
Dry Goods  
Machinery and Equipment  
Electrical Goods  
Paper and Paper Products

Slightly less than half of all reporting retailers had cut down their inventories during the first half of 1938. The list of trades where the proportion runs above 55 per cent is as follows:

Groceries (Chains)  
Farmers' Supply Stores  
Mail-Order Houses  
Shoe (Chains)  
Radio and Household Appliances  
Furniture  
Motor Vehicle Dealers  
Drug and Cosmetic (Chains)  
Coal and Other Fuel Dealers  
Jewelry

Several monthly series of figures on the physical unit volume of stocks of various kinds of goods are available to supplement the dollar figures assembled in the present survey. From among these inventory series, as reported in the *Survey of Current Business*, 31 series have been selected and analyzed in three groups: 14 manufacturers' raw material series, 11 immediate consumption goods series, and 6 building materials series. Inventory data on agricultural products have been excluded because of the high seasonal variations and the fact that crop conditions rather than the business cycle determine the highs and lows—an omission which seems valid without arguing whether or not crop conditions

have an effect upon the business cycle.

The lowest point of inventories since the beginning of 1935 was plotted for each commodity after due allowance for seasonal factors. In the case of con-

sumption goods, these lows scatter between July, 1936, and September, 1937; whereas in the instances of manufacturers' materials the lows concentrate to a fairly convincing degree around

## V. RETAILERS' INVENTORY TRENDS FROM DECEMBER 31, 1937, TO JUNE 30, 1938

	CONCERNS REPORTING		TOTAL U. S. INVENTORY ESTIMATES		
	Total Number	Decreased Inventory Per Cent	December 31, 1937 (\$'000,000)	Six-Month Change Per Cent	June 30, 1938 (\$'000,000)
TOTAL RETAIL	11,884	49.5	5,267	— 3.6	5,079
FOOD	1,724	46.6	511	— 1.8	502
Groceries	730	47.5	153	+ 0.7	154
Groceries and Meats	982	46.7	218	+ 2.0	222
Groceries and Meats (Chains)	12	83.3	140	—10.6	126
FARM SUPPLIES AND GENERAL STORES	2,078	51.2	358	— 1.7	352
Country General Stores	1,522	47.0	279	— 0.1	279
Farmers' Supply Stores	556	61.9	79	— 7.3	73
GENERAL MERCHANDISE GROUP	1,156	41.9	1,005	— 3.9	964
Department Stores	92	51.1	319	— 9.6	288
Department Stores (Chains)	13	53.8	169	+ 6.1	179
Mail-Order Houses	3	100.0	197	—14.5	168
General Merchandise and Dry Goods	703	47.5	201	+ 1.6	204
Variety Stores	336	27.5	14	+ 8.3	15
Variety Stores (Chains)	9	22.2	105	+ 4.8	110
APPAREL GROUP	1,510	48.6	723	— 2.0	708
Men's and Boys' Clothing and Furnishings	460	53.7	277	— 1.8	272
Women's Clothing and Accessories	541	47.9	180	— 1.7	177
Family Clothing and Children's Shops	176	49.1	109	— 1.7	107
Shoes	328	42.1	74	+ 1.8	75
Shoes (Chains)	5	60.0	83	— 7.2	77
FURNITURE AND HOUSE FURNISHINGS	1,176	59.0	401	— 4.7	383
House Furnishings and Floor Coverings	191	50.9	88	— 5.1	84
Radios, Electric and Gas Household Appliances	354	56.5	109	— 4.4	104
Furniture	631	62.8	204	— 4.6	195
LUMBER, BUILDING MATERIALS, AND HARDWARE	1,318	40.6	639	+ 1.1	645
Lumber and Building Materials	427	50.5	282	— 1.3	278
Paint, Wallpaper, and Glass	150	38.0	38	+ 5.5	40
Hardware	420	33.3	209	+ 1.4	212
Hardware and Farm Implements	173	39.6	56	+ 4.4	58
Farm Implements	148	36.6	54	+ 5.7	57
AUTOMOTIVE PRODUCTS	1,756	55.7	759	— 9.6	678
Motor Vehicle Dealers	922	70.4	573	—17.7	472
Automotive Accessories	339	41.1	84	+ 8.3	91
Filling Stations	495	35.9	102	+13.1	115
MISCELLANEOUS					
Drugs and Cosmetics	531	43.0	246	+ 1.1	249
Drugs and Cosmetics (Chains)	10	80.0	63	—13.0	55
Coal and Other Fuel	191	56.3	78	— 4.4	75
Jewelry	307	59.5	150	— 3.3	145
Stationery, Books, Newsdealers	127	47.7	25	+ 0.2	25
All Other Retail	*	*	309	— 3.6	298

\* Residual not available.



April, 1937. Although the data are less complete, low points in building materials stocks appear to have been somewhat earlier, around the end of 1936.

The high point, marking the start of recent efforts to reduce inventories, was plotted on each series in the same manner. Among consumption goods lines, these highs scatter between June, 1937, and April, 1938. The high points in the various series describing manufacturers' raw material holdings tend to concentrate in the Spring of 1938. In contrast to this, all of the building material series hit their high point before the close of 1937. Thus, both the bottom and top of the inventory cycle appear earliest in the case of building materials; latest in the case of manufacturers' raw materials and at scattered intervening points in the cases of consumption goods.

### Volatility

According to the series studied, raw material inventories jump around in a much more volatile manner than consumption goods inventories; a typical variation of 120 per cent between the low and high points as compared with 70 per cent for consumption goods and less than 50 per cent for building materials.

The contrast between the volatility of raw materials inventories and consumption goods stocks is in line with the differences found in the DUN & BRADSTREET Surveys. Manufacturers' inventories went up more rapidly than retailers' in the period from 1935 to 1937, dropped off more rapidly than the retailers' in the first six months of 1938. It appears that as one focuses his attention further back along the distribution channels from raw materials to final consumption, inventories bob around more violently on the waves of business and seasonal cycles.

In any study of the charts (page 14), on which 20 of these inventory series are shown, it should be remembered that direct comparison between the consumption goods group and retailers' experience, or between the manufac-

turers' raw materials group and manufacturers' experience, is dangerous. For instance, large portions of the reported stocks of metals are held by the producers or dealers rather than by users. To the extent that stocks are held by metal producers, they constitute finished goods requiring no further outlay to be ready for sale. Such stocks hang over the market as a damper on prices, where raw materials in the hands of a prospective user ordinarily have less effect on market conditions and will entail the addition of labor before they again appear on the market. The series classified as consumption goods were so placed because these commodities are used by consumers rather than by industry. However, most of the series represent holdings

of goods by the manufacturer rather than stocks in the hands of wholesalers and retailers.

In conclusion it might be observed from the general aspect of these charts—all of them expressed in physical volume units, and constituting in some degree a check upon the dollar valuations in the present survey—that most of the series do not portray anything which can be called a radical reduction of inventories since the beginning of 1938. Of the 20 series charted, 3 instances of unmistakable reduction in stocks—finished leather, vitrified paving brick, and bituminous coal—are outnumbered by 17 other series where the results, after allowance for the seasonal cycle, are either indeterminate or indicate a level higher than last year.

## VI. LOW AND HIGH POINTS OF INVENTORIES

### MANUFACTURERS' RAW MATERIALS

LOW POINTS		HIGH POINTS	
April, 1936	Bituminous Coal	March, 1937	Bituminous Coal
September, 1936	Silk	October, 1937	Iron Ore
November, 1936	Waste Paper		Turpentine
December, 1936	Alcohol	December, 1937	Silk
January, 1937	Crude Petroleum	January, 1938	Superphosphates
February, 1937	Wood Rosin	February, 1938	Wood Rosin
April, 1937	Superphosphates		Crude Rubber
	Iron Ore	March, 1938	Waste Paper
	Copper	April, 1938	Crude Petroleum
	Turpentine	May, 1938	Alcohol
May, 1937	Gum Rosin		Gum Rosin
June, 1937	Crude Rubber		Lead
August, 1937	Zinc		Copper
September, 1937	Lead	June, 1938	Zinc

### CONSUMPTION GOODS

LOW POINTS		HIGH POINTS	
April, 1936	Anthracite	November, 1936	Anthracite
July, 1936	Cut and Sewn Underwear	May, 1937	Pneumatic Casings
		June, 1937	Hosiery
August, 1936	Pneumatic Casings		Rubber and Canvas
October, 1936	Hosiery		Footwear
	Knitted Underwear	July, 1937	Knitted Underwear
January, 1937	Rubber and Canvas	November, 1937	Book Paper
	Footwear		Wrapping Paper
March, 1937	Book Paper	January, 1938	Cut and Sewn Underwear
April, 1937	Wrapping Paper		
June, 1937	Glass Containers	February, 1938	Glass Containers
August, 1937	Rayon	April, 1938	Cottonseed Oil
September, 1937	Cottonseed Oil	June, 1938	Rayon

### BUILDING MATERIALS

LOW POINTS		HIGH POINTS	
April, 1936	Brick	April, 1937	Cement
October, 1936	Cement	June, 1937	Cast Iron Boilers
November, 1936	Cast Iron Boilers		Roofing
	Roofing	August, 1937	Vitrified Paving Brick
March, 1937	Lumber	November, 1937	Brick
April, 1937	Vitrified Paving Brick	December, 1937	Lumber



# EXCESS CAPACITY IN WALL STREET?

*Faced with what promises to be a lasting contraction in the volume of security trading, brokerage houses—and with them the New York Stock Exchange—consider ways of further deflating brokerage machinery or increasing revenue.*

JULES I. BOGEN

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Exchange in organizing a committee of leading members to tackle the unemployment problem within its own organization was unprecedented. It emphasizes, as do the comparative totals of employment among member houses just cited, that the securities business today is under severe pressure because of lack of volume. This business failed to participate to a significant extent in the 1933-1937 recovery, and it has proved one of the most vulnerable in the current depression. This raises the question whether a lasting deflation has occurred in this type of business, rather than a temporary depression. If this is so, then it is necessary for those engaged in the security business either to adapt themselves to a permanently reduced volume of trading or to seek new sources of revenue.

## New York's Share

The New York Stock Exchange was responsible for 72 per cent of the number of shares sold on security exchanges in this country during the year ended June 30, 1937. Statistics of trading on that exchange thus furnish a representative index to the volume of share trading over a period of years. The stock exchange plays a far smaller rôle in trading in bonds, because the bulk of the turnover in listed bonds occurs off the exchange among bond dealers and institutional investors.

Until 1925, when the "Coolidge boom" really got under way, the largest number of shares ever traded on the exchange during a year was 318,000,000 in 1919<sup>1</sup>. In the 1919 to 1924 period, which itself witnessed a higher average volume of turnover than any preceding similar era, the average turnover for a five-hour day was less than 1,000,000 shares. During the six years 1925-1930, the daily turnover averaged almost 3,000,000 shares.

Needless to say, a great expansion of the machinery of the securities business was needed to take care of this greatly increased turnover. In 1929, the number of members of the New York Stock Exchange was increased from 1,100, a figure which had remained unchanged since 1879, to 1,375. A total of 1,658 branch offices were maintained by member firms.

The volume of turnover on the New York Stock Exchange naturally declined steadily from 1929 to 1933 as the depression deepened. In the latter year, active speculation stimulated by the abandonment of the gold standard and business recovery caused an increase in the turnover, but thereafter trading dwindled further. During the current year to date, trading on the

<sup>1</sup> The actual turnover on the stock exchange is generally about 15 per cent greater than that reported, due to transactions in odd lots by odd-lot dealers not consummated on the floor of the exchange and the "stopping" of stock by dealers who match buying and selling orders on the basis of prices on the floor of the exchange, as permitted under certain conditions.

New York Stock Exchange has been at an annual rate of only about 250,000,000 shares, or the smallest since 1923. For weeks at a time, the average daily turnover has been less than 500,000 shares.

When trading volume is so small, a majority of brokerage houses lose money on their operations. Many of the expenses of the brokerage house, including rent, statistical service, etc., are overhead in character. Beyond a certain point, therefore, it becomes very difficult or impossible to deflate expenses. While brokerage houses do not publish earnings reports, it is a prevailing view in Wall Street that only a small proportion of the houses make a profit from their brokerage departments when the volume of trading is materially below 1,000,000 shares.

For certain houses, the brokerage business is virtually a "loss leader," in that they depend chiefly upon profits from underwriting, trading of their own, investment management, or commodity brokerage business for their revenues. But with earnings from underwriting and trading of their own restricted recently, and with the Securities and Exchange Commission advocating the segregation of the brokerage business from all dealing in securities at wholesale and retail, most member firms probably will have to look chiefly to additional commission business to place their operations in the black again.

In seeking an answer to the question whether the severe contraction in the volume of security trading will prove lasting, two aspects of the problem must be considered. First, was the turnover in the late Twenties abnormally large, so that a sharp contraction was inevitable in any event? Secondly, to what extent does the new system of Federal regulation of the security business curb trading volume?

Popular participation in security speculation during the late Twenties occurred on a scale unprecedented in the history of the country. We had had great land booms and stock mar-



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*Attending the machinery of security-trading—the securities themselves (above), floor posts (below), and board rooms (right)—are only one-third of those so employed in 1929.*

ket booms in the past, but never before had it embraced so many millions of persons. A combination of favorable factors, such as the popularization of security investment by the Liberty Loan campaigns during the war, caused great numbers of individuals to buy stocks for cash and on margin for the first time in their lives. When the inevitable day of reckoning came and severe losses were incurred, the popularity of security speculation naturally suffered.

History tells us of similar periods of reckless popular speculation in the past, such as the South Sea Bubble in England early in the eighteenth century. Such great speculative booms are not apt to recur at frequent intervals. Hence, regardless of statutory restrictions, a protracted contraction in the volume of security trading was probably inevitable following the boom of the Twenties and the subsequent drastic deflation.

The legal restrictions that have been imposed, however, tend not only to make impossible a recurrence of the kind of boom we had in the Twenties, but also to bring about a lasting and severe further contraction in the volume of security trading. The more important of these restrictions are:

1. The security market boom of the Twenties was made possible in large measure by the use of bank credit for the purchase of securities on a wholly unprecedented scale. On October 1, 1929, stock exchange members alone were the borrowers of the fantastic total of \$8,549,000,000 for the carrying of securities for themselves and customers. Previous to the boom, their borrowings had never gone above \$2,000,000,000. The banks similarly expanded direct security loans to customers on a vast scale.

The Securities Exchange Act of 1934



authorizes the Board of Governors of the Federal Reserve System to limit the percentage of the market value of registered securities that may be loaned by banks and brokers. At present the maximum that may be loaned is 60 per cent, which is tantamount to requiring a 40 per cent minimum initial margin. It has been as low as 45 per cent, making the margin 55 per cent.

The knowledge that minimum margin requirements can be lifted at any time by the Federal Reserve authorities, and that they were in fact raised repeatedly when the market was rising in 1936 and 1937, has thus far acted as an effective check upon an expansion of security loans. It is very significant

ous types of manipulation of security prices tends to reduce turnover. Pool operations in the past not infrequently greatly stimulated trading activity in particular issues.

3. The Securities and Exchange Commission is seeking to limit trading for their own account by exchange members, for it wants to create as far as feasible exclusively an "investors' market" for securities. Members are now responsible for about 20 per cent of the turnover, and in the past they probably originated even a larger share of the business. The SEC favors eventual segregation of Stock Exchange members into separate groups of brokers who execute orders for

heavy and unequal taxation of turnover profits, particularly for persons of large incomes. Until the Revenue Act of 1938 was enacted, net turnover profits were subject to normal income and surtaxes, while net turnover losses could be deducted from other taxable income only up to \$2,000. The Revenue Act of 1938 permits a flat tax of 15 per cent to be paid on turnover profits, and liberalizes the allowable deduction for net turnover losses in certain particulars. Hence, tax considerations will not discourage stock trading in the future as much as they did during the past few years.

The legal restrictions described above may cause the volume of turnover in the New York Stock Exchange to remain indefinitely at unremunerative levels for brokerage houses as they are now organized. Despite the extensive deflation that has already taken place in the Wall Street machinery, the rank and file of brokerage houses cannot make a profit when the daily turnover averages materially less than 1,500,000 shares. But when trading dwindles to the neighborhood of 500,000 shares daily, as in recent weeks, most brokerage houses suffer considerable operating losses.

## Two Paths

Unless the brokerage business is to confront the prospects of further painful deflation through a process of attrition due to operating losses, remedial measures must be taken. The available remedies fall into two main groups.

First, a program can be undertaken for the orderly further contraction of the brokerage machinery, so that a reduced number of houses with less personnel could handle the present or even a smaller volume of business profitably. Secondly, brokerage houses could seek to increase their revenues by taking steps to expand the volume of turnover on the stock exchange or by raising commission rates.

Advocates of each remedial program, as well as those who feel that the ulti-

others exclusively and dealers who trade for their own account. This would probably restrict member trading a good deal further.

4. Trading in stocks of their companies by officers, directors, and large stockholders, popularly known as "insiders," is restricted and discouraged by the Securities Exchange Act of 1934. Such persons must now report transactions monthly, and profits made upon stocks of their companies resold within six months after purchase are recoverable by the corporations.

Another force which has tended to reduce the volume of trading has been

that during the extensive 1935-1937 rise in the stock market the rise in security loans was comparatively negligible, borrowings by members of the Stock Exchange barely exceeding \$1,000,000,000 at the peak.

Furthermore the Banking Act of 1933 authorizes the Federal Reserve Board to limit the percentage of a bank's capital and surplus that may be loaned on securities. While this power has never been used, it could be employed if needed to prevent security loan expansion.

2. The provisions of the Securities Exchange Act of 1934 prohibiting vari-



INTERNATIONAL



mate solution is to be found by resorting to both simultaneously, are numerous in Wall Street today. Let us consider each group of remedies in greater detail.

### The Way of Deflation

Several specific proposals for effecting an orderly further deflation of the brokerage machinery have been given serious discussion, and some of them are already in operation. The most important of such remedies are:

1. A reduction in the number of stock exchange seats from the present total of 1,375 (increased from 1,100 in 1929, when the "New Era" was expected to last a long time). A committee of the New York Stock Exchange has made a report on this subject, suggesting that a fund be provided with which to purchase and retire a number of memberships, thus leading to a reduction in the number of members competing for the available business.

2. The use of periodic or term settlements for transactions, in place of daily settlements. Since September 1 of this year, ordinary stock exchange transactions have been settled only twice a week, instead of daily. A material reduction in clerical work and expense is thus sought.

3. A number of brokerage houses are now considering a plan for carrying on their clerical work in one central office, while each house otherwise maintains its individual identity. This will permit, it is thought, substantial further operating economies.

4. It is proposed to change the method of compensating customers' men from a straight salary to a commission basis, to reduce overhead expenses. This would require a change in the constitution of the exchange, which now forbids the commission basis of compensation.

5. The establishment of a central delivery system for stocks, along lines suggested by Chairman Douglas of the Securities and Exchange Commission.

There can be little question that if

the average daily volume of turnover remains below 1,000,000 shares, interest in this approach to a solution of the problem will grow.

On the other hand, if chief emphasis is to be placed upon expanding the revenues of stock exchange members to support the present or larger organizations, there are a number of things which can be done to increase both the volume of turnover and the income derived from each transaction.

The volume of trading on the exchange can be increased by the following measures:

1. An increase in the number of listed issues, to shift to the floor of the exchange a part of the trading now conducted over-the-counter or on out-of-town exchanges. There were listed on the New York Stock Exchange, at the beginning of this year, 1,259 stock issues of 859 companies. A recent study showed that there were some 800 additional concerns other than banks and insurance companies in the United States and Canada whose stocks could be listed under the present exchange listing standards, which favor a minimum capitalization of upwards of 200,000 shares, assets of at least \$5,000,000, and annual earnings of at least \$500,000. Most of these issues, furthermore, are already listed on some other exchange. Accordingly, the listing of securities of smaller companies, as is done by the London Stock Exchange, may be necessary if turnover on the New York Stock Exchange is to be expanded by a substantial increase in the number of listed issues.

### Offset

The policy of permitting trading on out-of-town exchanges in issues already listed in New York, if a considerable local trading interest exists, will tend to offset such an expansion of the list and reduce turnover on the New York Stock Exchange.

2. The adoption of measures to bring to the floor of the exchange a larger proportion of the trading in listed bonds. It has been estimated that only

about 15 per cent of the turnover in listed bonds is consummated on the floor of the exchange, the rest taking place over-the-counter. Admission of banks and non-member investment houses as associate members of the exchange and splitting of commissions with non-members are among the steps under consideration to bring to the floor of the exchange transactions that do not now reach it.

Commission rates on the New York Stock Exchange were raised by an average of 11 per cent at the beginning of this year, after a protracted struggle. A number of brokers are now convinced that the stock exchange will become increasingly an investors' rather than a speculators' market. Long-term investors are far less disturbed by high commission rates than in-and-out speculative traders. Hence, it is argued that a considerable further increase in commission rates is in order.

### Service Charges

The same object can be attained by the imposition of service charges on clients to supplement commissions. Some time ago, an effort was made to impose uniform service charges on small accounts, but this was not generally adopted. However, several houses now carry small accounts only if fees are paid, as in the case of small checking accounts. A number of brokerage houses have set up investment counsel departments, in which fees are charged specifically for investment advice and investment management, services that were frequently given free in the past in return for commission business.

While trading in already issued securities constitutes the major portion of the security business, the wholesale and retail distribution of new issues is a second basic function which it performs.

Apart from financing by the Federal Government, new security flotations have suffered a decline fully comparable with that which has taken place in stock exchange trading. During the



six years 1925-1930, the average volume of new capital issues was \$8,958,000,000. In the four years 1934-1937, despite the numerous refunding operations which were made possible by unprecedentedly low interest rates prevailing, new flotations averaged \$4,488,000,000, a drop of almost 50 per cent. During the current year, a considerable further contraction has occurred.

The machinery for distributing new securities has contracted far more sharply than that devoted to security trading. Many wholesale and retail houses have withdrawn from business. Numerous brokerage houses have given up departments devoted to this function. The Banking Act of 1933 accelerated the process of deflation by requiring banks to liquidate or dispose of security affiliates. Such organizations, exemplified by the National City

Company and the Guaranty Company of New York, were responsible for more security underwriting in 1930 than all other investment houses combined. The 1933 statute also required private bankers like J. P. Morgan & Company to abandon either the security or the deposit banking business, and forbade bank underwriting of new issues of corporate securities.

### Conclusion

At the moment, there is more thought being given to an expansion of the underwriting machinery than to its further deflation. It is proposed that the Banking Act of 1933 be relaxed to permit banks to resume underwriting of corporate issues under certain restrictions.

Few sections of our economy participated so generously in the boom of

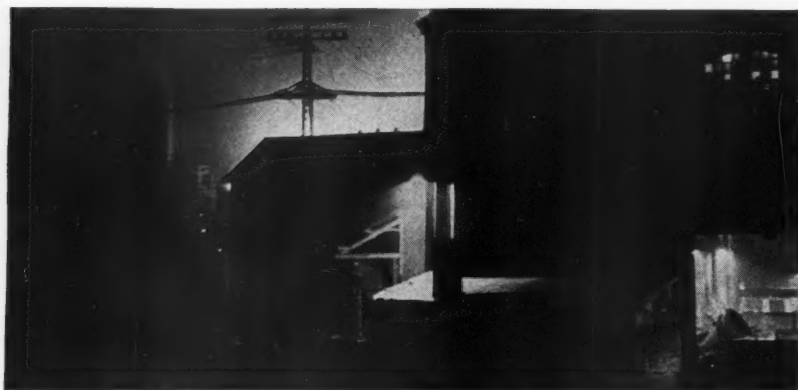
the Twenties as did the securities business. However, owing not only to legislative restrictions but to economic forces, security trading failed to participate in the recovery from the depression to any significant extent, and the dwindling turnover points to a lasting contraction in the volume of such business.

While a considerable deflation of the brokerage machinery has already occurred, this process must be carried further or revenues must be increased if the business is to be profitable with an average daily turnover on the New York Stock Exchange of less than 1,000,000 shares. The New York Stock Exchange, under its new management, is tackling this problem from both these angles with vigor, and substantial progress is likely to be achieved in the near future.

PICTURES, INC.



# PRICING POLICIES *and* CUSTOMER CLASSIFICATION



EWING GALLOWAY

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**T**HERE is a principle taught in every elementary economic class known as "The Law of Single Price." This "economic law" declares that in any given market at any given time, a given commodity can sell at only one price. The logic back of it is that it must be so, because no buyers will enter the market at a higher price and no sellers will consider a lower price than that which prevails at the moment. This law cannot be disproved, but it can easily be shown that its necessary assumptions are so narrow that it does not establish universally the simple price situation which it appears to imply. The phrase "given commodity" must be interpreted to mean not only an identical product but also identical terms, conditions, and considerations involved in the contract of sale; and the phrase "given market" is not solely a geographical concept but also must be narrowed down to refer to more or less similar buyers. The fact is that

many commodities have extremely elaborate price structures, so that at a given moment of time very wide differentials may exist. One of the main types of differential is according to classes of customers.

## Single Price

In the case of those raw materials where organized markets exist, and also in most retail establishments, no distinction is made between customers. The product is placed in the market for sale and the price is no respecter of persons. There is no individual bargaining looking toward an adjustment of price in connection with some individual transaction or particular buyer. Of course, there are important exceptions even within these areas, such as the case of automobiles and radios, where the flexible character of the trade-in allowance opens the door to old-fashioned bargaining. However, for nearly all products at retail, the law

of single price controls—one price at a given moment at a given point of sale.

This is not true of the price patterns in many manufacturing industries. Here, customers are frequently classified on one basis or another and price differentials or discounts according to class are recognized and even traditional. Thus, at any given moment of time a manufacturer may be selling an identical product at ten different prices, even without including the further complications which may arise from freight, delivery, packaging, credit terms, and other possible causes of variation.

There is no standard form of customer classification. Wide differences appear in various industries. However, the form taken is usually some variation or development of the basic distinctions among four types of customers. First, and usually receiving extremely favorable treatment, are other manufacturers who use the product as an integral part

of their final products, such as tires for automobile manufacturers, electric flashlight batteries for toy manufacturers, flexible cords for wiring device manufacturers, radio tubes for radio manufacturers, and electric motors for refrigerator manufacturers. The second level includes those who take the product for resale to other distributors, such as wholesalers, jobbers, dealers, and the like. The third level includes retailers, those who sell to the ultimate consumer. The fourth level includes those customers who are, in fact, consumers. This consumer group would include such cases as the sale to institutions, as hotels or the Government, as well as direct sale by manufacturer to individual consumer. There are a few additional classes which do not come within this general pattern, but which appear only in special cases as, for example, special discounts to educational institutions in the case of products such as electric motors and arc welding apparatus.

#### **Sub-classes**

On this simple skeleton, a most elaborate structure may develop with the creation of innumerable sub-classes. Classes may be created with the only distinction being location (at one time radio tubes carried a special discount for dealers in the New York metropolitan area). Wholesalers who carry stock may be distinguished from those who purchase only for direct delivery to their customers. Frequently, sub-classes provide a concealed form of quantity discount (flexible cords at one time had a distinction between chain stores A and chain stores B; radio tubes distinguished between dealers selling 600 per year and those below). Sub-classes may be based on various other distinguishing characteristics, such as consignment purchasing, warehousing, activity in promotion, and the like. In one unusual case, a customer classification was based on whether or not the buyer had been a customer for more than ten years. The user of this classification claimed that it made a fairly

accurate distinction between more desirable customers, and a new and relatively unstable group of buyers.

It should not be assumed for a minute that customer classifications are always exact and neat devices. They may appear to deal clearly with all problems of price differentials, while still permitting considerable flexibility. A class such as "large dealers" or "mass distributors" leaves many border-line cases where the seller can enter into individual negotiations. In other cases, the structure may not be complete, but may leave some of the more important customers unclassified, permitting special discounts. Where publicity was required in connection with mandatory price-filing under certain NRA codes, some recalcitrants filed such blind entries as "50 per cent discount at manufacturer's option." Nevertheless, even in such cases the classification scheme does at least provide a base from which individual bargaining must proceed.

Back of these complicated classification structures lie certain basic considerations. To the superficial eye it might look as if the manufacturer's job was the same regardless of who the customer might be—the product has to be made and either made available at the shipping door or delivered at destination. However, the fact is that there are a number of functions involved in the movement of commodities which can be performed by any one of several people involved in the process. Thus, for example, the warehousing of goods at central distribution points may be handled by the manufacturer or by a wholesaler, or the product may require installation or servicing. Obviously, the manufacturer can afford to pay in the form of a discount whenever the wholesaler undertakes any one of these variable functions.

#### **Other Influences**

Another element in the establishment of differentials relates to those functions in which the manufacturer has a special interest, such as a special discount to customers whose promo-

tion activity warrants special encouragement. A third consideration enters when the manufacturer finds that his costs are regularly different in connection with sales to various types of customers. One class may involve a greater credit risk. Some other group may not require the same amount of selling effort. Under this same heading are classifications which are, in fact, concealed quantity discounts, such as the recognition of a customer class of "mass distributors."

#### **Special Markets**

Fourth are the classifications which apply to special markets in which peculiar conditions may exist, as in the sale of automobile tires to automobile manufacturers, or in sales to municipalities. Finally are the groupings which arise primarily out of competitive conditions among the buyers and their demands to be able to compete on a fairly equal basis for the support of the final consumer, as well as their demands to be given special advantages.

The underlying factors listed above should be sufficient to demonstrate that customer classification does not necessarily evolve according to any rational plan for the wisest price structure, in terms of an equitable or efficient organization of the distribution process. As a matter of fact, it is frequently impossible to justify the existing price pattern in any given industry on strictly economic grounds. At least four factors bear on the development of customer classification and, unfortunately, may help to make it depart from what might seem to be the most desirable set-up.

The first is the factor of inertia. Customer classifications tend to become traditionalized and frequently continue year after year without variation, even though the character of the customers and their activity may change. The second is the fact that competitors force each other into establishing new and inconsistent customer classes, for whenever a special conces-



sion is made to some group of buyers by one seller, the tendency is for it to be generalized quickly throughout the industry. Thus, two manufacturers, each with a rational customer classification, may force each to adjust to the other, creating an absurd net combination of the two systems. The third is the impact of the buying groups themselves. Their success, and even survival, may depend upon the differential of their purchase prices, and where bargaining power exists they may try their best to impress it on the price structure. Finally, there is the force of law. Only in recent years has the problem of customer classification been subject to specific legal requirement, but the Robinson-Patman Act now sets very definite limits on the differential treatment of classes of buyers.

The Robinson-Patman Act neither requires nor prohibits the establishment of price differentials. Rather it *fixes limits beyond which preferential treatment of any favored group may not go.* The basic criterion adopted is that of cost, the burden of proof being placed on the seller to show that his discounts do not exceed savings which he obtains from the particular class of customer in terms of manufacturing, selling, or delivery outlay. The detailed application of the law must await the outcome of judicial decision, but the emphasis which it places on cost must be recognized by all those who are concerned with the defense of any particular scheme of customer classification.

One added limitation on one's approach to this general problem stems back to the Sherman Act itself which, with the aid of court decisions, establishes the impropriety of group action whereby an industry might agree on the general price pattern to be followed. The prohibition of price-fixing by concerted action appears to have been extended to cover agreements which relate to any part of the price structure. In fact, a number of recent actions by the Federal Trade Commission have arisen out of attempts to define or con-

trol distribution channels. This means that an industry with a confused and disorganized customer classification situation, cannot deal with it in combination, but must hope that the situation will gradually clear, through the processes of individual and independent action.

### Free Action

In this connection, it is important to realize that the power of business life or death lies in customer classification. Our legal insistence on independent action is usually justified as a protection against arbitrary control over our economic evolution by groups of sellers, or even by pressure exerted by some strong buyer group. If sellers were allowed to agree that wholesalers, who customarily received a 10 per cent discount, were to receive only 5 per cent, it is obvious that many wholesalers would find life exceedingly difficult. Or some industry might decide that it would encourage middlemen, placing a high cost on all direct sales, thus forcing the product to flow through wholesalers' hands. Under our present principles of economic operation, such arbitrary adjustments cannot be permitted, but rather the interaction of independent judgment is assured to keep price structures in fairly reasonable form.

From the point of view of management policy, the legal restrictions described above do not provide guides, but rather establish limits beyond

which the business man may not go. Further limits may be imposed by tradition and by the behavior of his competitors. Nevertheless, there frequently remains an appreciable area for the exercise of judgment. Basically, he must recognize much more than the legally sanctioned factor of costs. He must concern himself with more or less intangible values. After all, customer classification is one of the methods of capturing and maintaining one's place in the market. A decision must be made as to preferred channels of distribution, and then the price structure must be modified accordingly. If he wants to develop chain-store distribution, then his price structure can assist. If he prefers small independent retail distribution, he must favor the wholesale-retail channel. A wise customer classification can help develop the enterprise toward whatever ends seem desirable.

Finally, customer classification can provide an escape from the process of individual bargaining. However, if it is to do so, it must be clearly defined and strongly held. It should not be subject to whim or continual shift. Of course, it should have occasional revision. But above all, once any classification is established, it should be carefully maintained. Otherwise, concessions based on short-run expediency will destroy the value of any attempt to establish and maintain an orderly price structure.

GENDREAU



# MOVING DAY AGAIN—BUT NOTHING IS DONE ABOUT IT

JOHNSON HEYWOOD

ON OR ABOUT May 1 and October 1 of every year from two-thirds to three-quarters of the inhabitants of most American cities chuckle over whimsical newspaper yarns about Moving Day. They are the ones who have renewed their leases on the old home for another year.

The stories don't seem laughable to the third or quarter of the population who are trying to move. You can't see anything funny in nibbling a sketchy cold snack (the gas hasn't been turned on yet), while perched on the edge of a bath-tub (the paper-hangers haven't finished with the dining-room), by the light of a candle (the electric company is sorry but its man won't be able to connect the meter until tomorrow). And you won't even be able to go to bed for several hours. The movers are here with your furniture all right, but it will be midnight before your bed is set up, for five other vans are lined up ahead of yours waiting a chance at the service elevator. And while your van waits, your moving bill is soaring above the estimate because you are paying for it by the hour, whether a wheel turns or not—which doesn't add a bit to your appreciation of these excruciatingly comic circumstances.

No one seems to know for sure how arbitrary moving days started. One real estate man, who has read a bit of anthropology, lays Spring population shifts to the wanderlust which notoriously grips us when the sap begins to rise. Some take to the brake beams,

some hitch up the trailer, but mostly we simply phone the van company and move around the corner.

The Autumnal movement, apparently, has less a biologic and more an economic basis. Until recently building was an exclusively warm-weather activity. Ground for apartment houses was broken in the Spring and construction was pushed to get the job finished before cold weather. Consequently the shiny new dwellings were ready for discontented tenants by early October. Since most leases run for a year, each new apartment house added to the reservoir of tenants who could change landlords only on October 1.

But whether the concentration of moving into one or two short seasons is due to biologic or economic causes,

it results in an unavoidable economic waste. Not that mere moving is uneconomic. If its sole purpose were change of scene, the expenditure would be as economically sound as money spent for any kind of travel. If the move brings happiness it is as much an economic good as a day at the beach, an evening at the theater, or a visit to the zoo.

It is the *extra* cost caused by the highly seasonal concentration that constitutes the waste. It is a small waste compared to some for which we have to pay the bill, but big enough to be a noticeable tax on tenants and several lines of business—one tax which is not levied by government and which could be avoided. Unlike some wastes, it does no one any good.

Every merchant or manufacturer whose business is even in the least seasonal knows how expensive and wasteful intermittent operation is. Equipment stands idle, eating its head off in overhead expense. The whole year's profits must be made in a short time, operating at high pressure. Good workmen, who can produce at low cost, must be laid off during the off-seasons and may not be available when they are next needed. The peak load must be carried partly by inexperienced or inefficient help who spoil work and damage machines, and must often be paid high over-time rates although actually they are not worth the regular scale.

The peaks of no other business compare with the short, sharp overloads that are imposed on the real estate people, van companies, painters, deco-



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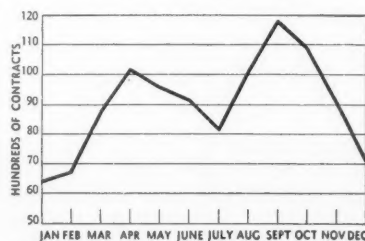
*When moving is concentrated in a period of two weeks, in some cities in the Spring, in others in the Fall, labor holds a powerful weapon—the threat of a walkout.*

rators, and some others by our annual or semi-annual fence-jumping to greener pastures.

It is not possible to state exactly how many people move, either at peak periods or at other times, for it is very difficult to find adequate data. Figures from various sources such as gas, electric, and telephone companies, however, show beyond doubt that serious peaks do exist. Monthly averages of the number of changes made by electrical companies in 23 cities (see chart at right) show two readily discernible peaks. These figures, to be sure, are for 1927 (a commentary on how uncharted these waters are), but there is no reason to believe that there have been important changes in the averages since then. The seasonal experience of New York City van owners (chart on next page) follows a similar pattern. And it is to be remembered that these peaks are concentrated in about two weeks at each moving period. A committee of real estate men who looked into the New York City conditions in 1936, reported that 500,000 tenants had moved during twenty-four hours on October 1 of that year. The report added, "It was considered a 'quiet' moving day."

### THE TIMING OF MIGRATION IN 23 CITIES

(As indicated by electric companies' orders to turn on current)



Now what do these intensified moving periods mean to the tenants and businesses affected by them?

In New York City the hourly rate for a van is seven dollars an hour during all of the year except the two moving seasons. At those times it is twelve dollars an hour. During the off seasons, there is seldom any delay in getting elevators, so the tenant pays only for productive time. Waits of three to six hours are not uncommon during rush periods. Another extra expense is the damage to furniture which, be-

*The moving-day rush brings high rates for van owners, but their equipment has been idle during most of the year.*

cause unskilled help is called in to pinch hit for the movers, is much greater in the moving season than at other times. A van owner in a medium size Mid-western city estimates that the toll on the tenant is double if he moves May 1 or October 1.

Raising the hourly rates during the rush season is not a manifestation of thuggery on the part of the van operators. It is, rather, a necessary observance of the adage to "make hay while the sun shines." If they could keep a quarter as many vans reasonably busy the year around they would make much more money at the low rate. Several van owners to whom I talked insist that they would get out of the moving business entirely if they could. But they can't because ownership of vans is essential to their principal business, which is the storage of household goods.

One storage and moving company in New York City operates 25 vans overtime for a couple of weeks, but on the average can keep only eight busy during the rest of the year. There is so little use for vans most of the time that one company takes out full-year motor vehicle licenses for only the half

ACME





year in which October 1 falls, thus making some saving on license fees. If the Fall moving season started on October 1 instead of ten days or so earlier, this concern could make a further saving by taking out a three months' license running from October 1 to December 31. Statistics gathered by one association of van owners indicate that on an average it is possible to operate a van only 100 working days a year. A van operator in Rochester has records which show that all of his equipment is idle half of the time.

Most van owners have tried to find uses for their vans in off seasons, but the cards seem to be stacked against them. A little business is picked up in some towns by helping out retailers with their Christmas rush of deliveries. Most ordinary trucking is out of the question, for vans, and their equipment in the way of quilts and pads must be kept almost spotlessly clean. That precludes using them for most general hauling. Formerly, they could get occasional jobs hauling clean freight from depots to the consignee, but the adoption of store-door delivery by the railroads has done away with that fill-in business.

### Contractors

Since practically all apartments have to be cleaned, painted, and redecorated between the time one tenant moves out and the next one moves in, contractors and their employees are under heavy pressure. Overtime rates have to be paid for labor, work is apt to be skimped and most of it is done by incompetent workers who can find jobs only when almost anyone who is physically sound enough to hold a brush is worth trying.

It is evident that concentrated moving, with the consequent dire need for workmen, provides labor with a powerful weapon—the threat of a walkout at the most crucial time of the year. It has been frequently used. In 1936 there were strikes by workers in the painting trade, by floor scrapers and finishers just before the Fall moving

day in New York. Again, in 1938 a walkout of 4,000 members of the Packers and Furniture Handlers Union halted the movement of 2,100 vans at the height of the Spring hegira of householders.

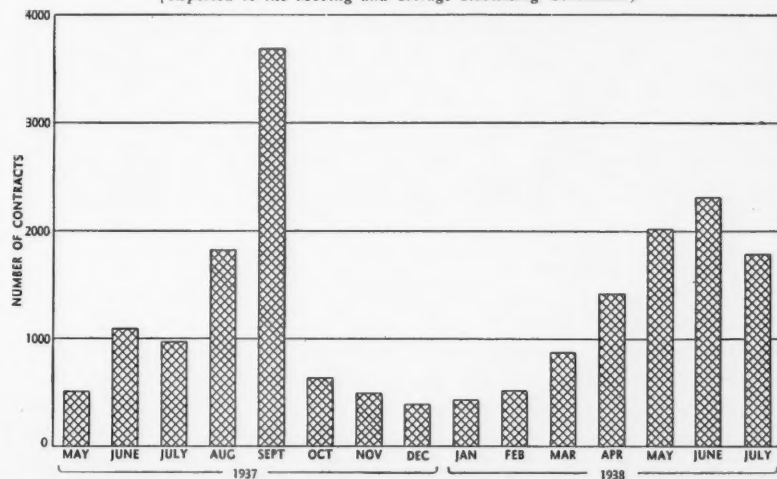
But it is significant that the unions—most of them—are willing to give up this effective weapon in exchange for more uniform year-round employment.

Neighborhood merchants often have to employ skip chasers to run down old customers to their new lairs. The telephone company has to revise its lists of subscribers and print new directories.

But the ones who suffer most from the economic waste caused by periodical mass movements seem to be the building owners and their rental agents.

### MOVES BY LEADING NEW YORK CITY VAN OWNERS, FROM MAY, 1937, TO JULY, 1938

(Reported to the Moving and Storage Stabilizing Committee)



They have, in New York, joined with the van owners in forming The Moving and Storage Stabilization Committee which, under a collective labor agreement sets up machinery for gathering figures as to the seasonal nature of their business, and doing something about it.

Other businesses are affected, but, except for the real estate interests, their troubles are minor. Gas and electric companies have to expand their crews of service men to disconnect and connect the service, but usually this is taken care of by transferring regular employees from other jobs, temporarily. Merchants who sell by mail have to make wholesale revisions of their mailing lists. Milk companies and the like have to expand their field forces and work them hard and long to collect from the outgoers and sign up the in-

The owner of rental property suffers direct, measurable money losses both in lost income and added expense. When an undue number of leases expire on one date, an apartment that is not rented as of that date is pretty apt to remain unrented from then to the next season—that is from October 1 to May 1, or vice versa. Shrewd tenants know this and it is not unheard of for them to put up at a hotel, or better yet, land on the old folks, for a couple of weeks after their leases expire, secure in the knowledge that some owner who has been left holding the bag will give them a lower than standard rental, or a few months free rent.

Painting and decorating contractors, who have to pay extra high wages at the peak periods, quite rightly charge more for their work than they would at other seasons. Redecorating costs



*Having a van at the front door is not necessarily enough if you are a migrating apartment dweller; while others are using the service elevator you wait and pay by the hour.*

are therefore exorbitant, and too often the work is poorly done with the result that the tenant is dissatisfied and the building depreciates more rapidly than it otherwise would.

Renting agents suffer both nervously and financially. The earning power of a rental office is concentrated in a couple of months a year. With such short periods for negotiating leases they rent fewer apartments than they might and in desperation often have to take somewhat undesirable tenants.

Really good rental employees want year-round work and will not take short jobs. Therefore, the rental office has to be satisfied with drifters who can't get permanent positions to handle the peaks. The salesmen are apt to be poor negotiators and slipshod or unscrupulous in their methods, for they have no permanent stake in the business. The vast amount of clerical work caused by rental peaks often makes necessary hiring temporary clerks, which adds to the expense and frequently tangles the records.

The question now arises, "In the light of all these facts—we assume they

are facts—why doesn't someone do something to abolish this nuisance, which is also an economic waste? Why not have leases start and expire evenly throughout the year? Who wants two arbitrary moving days a year anyway?"

It is perfectly evident that if leases throughout a city were staggered so that about the same number expired each month, the peak loads would be greatly reduced. Rental offices, vans, contractors, and workmen would be uniformly engaged at their work the year round. It might not be desirable to have leases expire during the Summer months when many people are out in the country. Besides, few tenants care to move at that time, nor on January 1 because of the holidays. But the rest of the year—for say nine months—the moving could readily be uniform in volume.

Occasional efforts have been made to stagger lease expirations. Back in 1927, in Chicago, everybody concerned got real het up about Moving Day. A propaganda organization called the Chicago Homes Economic Council was set up to educate one and all on the

disadvantages of concentrated moving days and the wholesome condition that would come with staggered leases. The Council was backed by the Real Estate Board, property owners, movers, contractors, merchants' associations, various groups of business men, and the public utilities.

A five-year campaign was laid out to include radio talks, newspaper publicity items and editorials, a speakers' bureau, and the distribution of educational leaflets and signs admonishing tenants to demand off-season leases. Many large rental agencies added to their newspaper advertising a notice, "Any Time Is Renting Time. We Write Yearly Leases from the First of Any Month."

The Council even sent persuasive arguers around to all rental offices to convince the bosses that they had everything to gain and nothing to lose by staggering their leases.

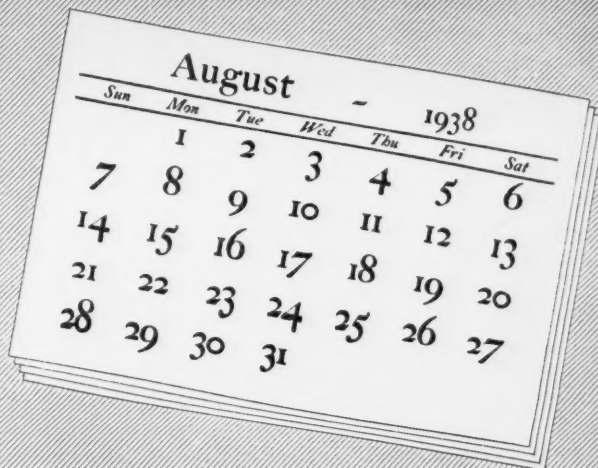
Three years later the Chicago Real Estate Board triumphantly announced, "Less than 28 per cent moved during April and September combined. Seventy-two per cent moved in the remaining ten months. Moving on May 1 and October 1 has been reduced by more than 75 per cent. Formerly 20,000 families moved on May 1, while during 1929 'May Day' showed less than 6,000 families on moving vans."

### Relapse

It certainly looked, eight years ago, as though Chicago were really getting somewhere in its efforts to stagger leases and eliminate moving day as an institution that no one wanted. Then when it seemed that its purpose had been accomplished the Board discontinued the stagger-lease program. It maintains that those efforts have had lasting effect. Another real estate organization with offices in Chicago tells a very different story: "As a matter of fact, the campaign undertaken several years ago and carried on so successfully was allowed to fall by the wayside. Nothing has been done over a period

*(Continued on page 47)*

# THE BUSINESS DIARY AUGUST · 1938



*Heat continues to vie with primaries for headlines. . . . Agitation against NLRB gains momentum. . . . Czech war scare reflected in foreign exchange and foreign and domestic stock markets as month closes. . . . World wheat markets fluctuate at seasonal lows.*

- 1 JURY deadlock ends Harlan, Ky., mine case in mistrial.
- 5 ONE million New Yorkers welcome Aviator Corrigan.
- 8 JAPAN ships \$5,800,000 of gold to this country to meet costs of war with China. Treasury announces that it is preparing for a review of the entire question of Federal taxation for the next session of Congress. *Queen Mary* establishes new westbound record of 3 days, 21 hours, 48 minutes.
- 11 RUSSIA and Japan declare truce in border dispute. Lufthansa's *Brandenburg* completes Berlin-New York flight in new record of 24 hours, 58 minutes.
- 12 PRESIDENT returns to Washington following three-week cruise and cross-country tour. National Emergency Council reports South is Nation's "No. 1 economic problem."
- 14 SOVIET Foreign Office accuses Japan of violating truce on Siberia border.
- 15 TRIAL of Tammany leader James J. Hines starts in New York.
- 16 ICC orders minimum trucking rates in New England and Central West, effective early in October.
- 18 ROOSEVELT pledges aid to Canada in case of attack.
- 19 MARITIME Commission signs agreement to buy 90 per cent of voting stock in Dollar Lines.
- 20 FRANCO rejects British proposal for withdrawal of volunteers in Spain. Daladier declares France must abandon 40-hour week.
- 22 HULL again asks Mexico to arbitrate land seizures.
- 24 ROSWELL MAGILL resigns as Under-Secretary of Treasury. Hitler guarantees Hungary's border.
- 27 HARLAN coal agreement signed, presaging peace. Adolf A. Berle, Jr., resigns as Assistant Secretary of State. Hitler warned by Britain.
- 29 STOCKS tumble in widest decline since March 29. Lewis rebuked by UAW unions.
- 30 PEACEFUL settlement of Harlan Labor trial. London empowers envoy to warn Germany of war in Czech crisis. French cabinet virtually abandons 40-hour week.
- 31 RAIL wage mediation collapses; strike threatened. Equalization Fund permits pound to reach new three-year low of \$4.85.





## TREND OF BUSINESS

PRODUCTION . . . PRICES . . . TRADE . . . FINANCE

Despite war clouds over Europe, domestic business sentiment continued good and recovery proceeded cautiously. Reports for early September indicated an extension of the upward trend in industry. Trade shook off Summer dullness as expenditures responded to the improvement in consumer incomes. Activity in stock exchanges reflected the financial uncertainty which grew out of the developments abroad.

**T**HE tension prevailing in Europe had a decided effect on foreign trade but failed to be more than a slightly restraining influence in the advance of domestic recovery. August and early September reports indicated a more than seasonal rise in business activity, as trade and industry con-

tinued to expand in a cautious manner.

The effects of declines in security prices and in foreign exchange rates which resulted from the uncertainty of the international situation were offset in this country by a firm commodity price structure, gains in industry, and a further expansion in consumer incomes.

August reports showed industrial production still advancing, although the rate of increase was somewhat slower than in the previous month. Preliminary estimates raised the Federal Reserve Board's index from 83 in July to 85, whereas the gain recorded from June to July was from 77 to 83.

Consumer goods lines maintained their advance. Cotton consumption

from July to August increased from 449,511 bales of lint and 61,805 bales of linters to 561,406 of lint and 70,218 of linters. Silk deliveries rose from 32,593 to 38,504 bales. August rayon shipments reached a new all-time high level, surpassing the record set in July. Estimates by the trade placed August shoe production 34 per cent above July and 6 per cent above the corresponding 1937 month. Textiles and leather goods recently evidenced a mild reaction, as orders were postponed and buying reverted to a hand-to-mouth basis, while traders kept in close touch with political developments abroad.

Activity in the heavy industries showed signs of making substantial headway. The index of machine tool orders climbed during August to the highest point since last December. Steel output, too, showed heavy gains, as steel ingot production rose 25 per cent

### Industrial Production

Federal Reserve Board Adjusted Index  
1923-1925 = 100

	1935	1936	1937	1938
January	90	97	114	80
February	90	94	116	79
March	88	93	118	79
April	86	101	118	77
May	85	104	118	76
June	87	104	114	77
July	86	108	114	83
August	88	108	117	85*
September	91	109	111	
October	95	110	103	
November	96	114	80	
December	101	121	84	

\* Estimated

### Factory Payrolls

U.S.B.L.S. Index  
1923-1925 = 100

	1935	1936	1937	1938
January	65.0	73.8	90.7	71.7
February	70.0	73.7	95.8	73.2
March	71.7	77.6	101.1	73.3
April	71.7	79.3	104.9	70.7
May	69.4	80.8	105.2	69.2
June	67.4	81.1	102.9	67.2
July	66.5	80.2	100.4	67.5
August	71.0	83.5	103.8	
September	73.7	83.6	100.1	
October	76.4	80.0	100.1	
November	75.6	90.7	89.5	
December	77.6	95.2	80.9	

to the highest level since last October. The average of steel mill activity for the month was 42 per cent of capacity, and this represented quite an increase when compared with July's figure of 33 per cent. Daily production of pig iron rose 23 per cent from July, as eleven more furnaces were lighted.

Automobile production was at low ebb during August, due to inventory calculation and model changeover in the factories of the major producers. Early September, on the contrary, showed a gain in activity as production of 1939 models began in some plants. Lumber orders were at a somewhat lower level than in July, but production rates continued upward.

The construction industry continued to be more active than last year, although the July level was not maintained. Building permits for 215 cities (DUN & BRADSTREET) were 29 per cent lower in August than in July, but were 15 per cent above last August; contracts for 37 States (F. W. Dodge) showed the largest volume since July,

the prices of agricultural products, and a 2 per cent drop from the July income level was estimated. Crop prospects declined somewhat also, mainly due to drought in the corn area, but all yields except Winter wheat were expected to be above the average.

The cost of living, according to the index of the NICB, declined from 86.5 in July to 85.9 in August, compared with 89.0 in August of last year. This index includes clothing, food, fuel and light, and housing. Fairchild's index of retail prices, covering apparel, home furnishings, and piece goods, remained at 89.0, compared with 96.6 in August, 1937. A survey conducted by the FHLB of home building costs in 70

The most striking result of the European crisis as far as business in the United States is concerned was its effect on the securities markets. August stock trading was somewhat less active as a combined result of the necessity of digesting previous price gains and of uncertain conditions abroad. Turn-

### Industrial Stock Prices

Dow-Jones Index (Weekly Average)

Week	June 1938	July 1938	Aug. 1938	Sept. 1938
I	110.11	134.28	142.72	139.47
II	114.08	136.72	140.36	140.99
III	113.03	136.77	139.35	135.00
IV	125.39		142.39	142.85
V		142.19		

### Wholesale Commodity Prices

U. S. B. L. S. Index—1926 = 100

Week	June 1938	July 1938	Aug. 1938	Sept. 1938
I	77.7	77.0	78.4	77.8
II	77.8	78.3	77.9	77.9
III	78.4	78.9	77.4	
IV	78.2	78.7	77.8	
V		78.6		

over showed a drop from July of more than 18,000,000 shares or 46.5 per cent. Stock prices were erratic during August, but definitely slipped as war clouds became threatening. The bond market was less sensitive on the whole to the shifting European situation.

Corporate financing increased; public utilities in particular floated new issues of bonds. Bond financing jumped ahead of last year, and represented the second largest total since March, 1937. Stock issues, however, were less numerous, and only about one-fourth as large as last year's offerings.

New York member banks reported weekly gains in commercial loans from August 3 to August 24, and declines from August 24 to September 14. Banks outside the city reported four weekly advances and two declines in the same six-week period. The increases in other banks offset the drop in New York, and the net gain in these business loans was \$40,000,000.

The Federal Reserve Board reported that in August the daily average of total deposits as well as demand deposits was close to the peak of 1936. The rate of deposit turnover, however, was lower than in July, standing at 25.5, compared with an average of 30 for the period from 1935 to 1937. The rate of turnover measures the ratio of check withdrawals to demand deposits.

### Department Store Sales

Federal Reserve Board Adjusted Index  
1923-1925 = 100

	1935	1936	1937	1938
January	76	81	93	90
February	77	83	95	88
March	79	84	93	85
April	75	84	93	83
May	74	87	93	78
June	79	87	93	82
July	80	91	94	85
August	77	86	92	83*
September	81	88	94	
October	78	90	93	
November	82	94	91	
December	83	92	89	

\* Preliminary.

1937, 30 per cent over July, 1938, and 12 per cent above last August.

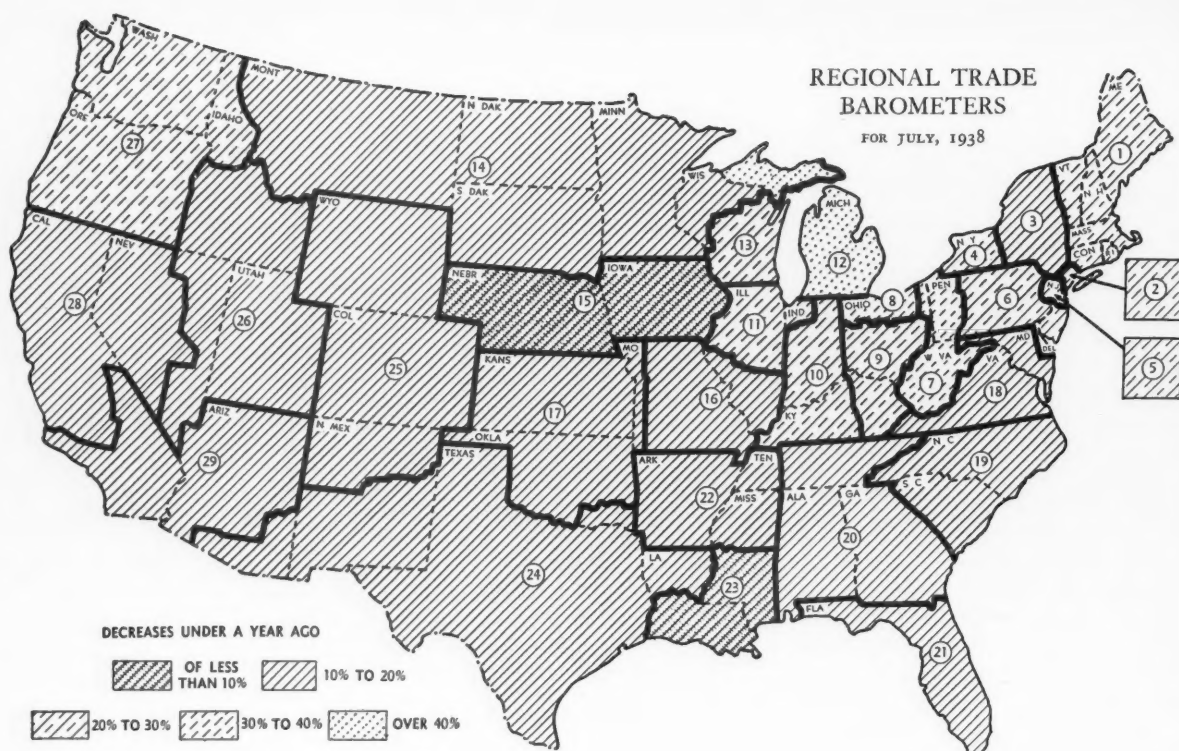
Governmental activities by way of public works programs and the FHA contributed heavily to the increase in construction. Contracts for public works and for residential building registered large contra-seasonal increases, while FHA loans reached a new monthly peak.

The income of industrial workers mounted during the month of August; the index of factory payrolls (preliminary) advanced to 72.8. Farm income was impaired by the slump in

cities revealed the fact that the trend of material and labor costs for constructing a standard frame house has declined 2.8 per cent since last year.

Department store sales fell off moderately in August. Extreme heat made shopping uncomfortable in the Eastern States, and low farm prices curtailed purchasing power in the West. Early September reports indicated that the Summer dullness in trade was giving place to a renewed Fall activity, the August to September gain exceeding that of 1937 because of the downtrend at this time last year.

Buying in primary markets, as judged by the trend in freight-car loadings and wholesale commodity prices, continued to show an increasing demand. Carloadings rose more than seasonally, and commodity prices were fairly steady. A slight reaction in commodity prices in September was explained by the hesitation to make future commitments because of the tense foreign situation.



## FURTHER ADVANCE IN TRADE

*The United States Trade Barometer rose to 76.0 (preliminary) in August from 75.1 (revised) in July. Barometer figures are compiled by Dr. L. D. H. Weld, Director of Research, McCann-Erickson, Inc.; trade information is reported by 157 district offices of DUN & BRADSTREET, INC.*

A SECOND successive month-to-month improvement in trade activity was indicated by the 1.2 per cent rise in the United States Trade Barometer from July to August. Concrete evidence of an uptrend was first found in the July trade advance, the index in that month having made a 1.4 per cent gain over the June level, following a consistent decline for seven months.

In spite of the fact that a rise in the adjusted trade barometer indicates a more than seasonal improvement, the August figure showed a widening of the percentage decline from the corresponding month last year, a 22 per cent drop in August comparing with 21 per cent in July. Inasmuch as trade did not show a convincing downtrend until November a year ago, however, a slightly wider dip in the margin of decline was not surprising.

Reports for August from the district offices of DUN & BRADSTREET, INC., showed that most regions experienced an

improvement in trade volume over July. The imminence of the Fall season was a primary factor in the promotion of more extensive wholesale buying, although retail trade was somewhat hampered by extreme heat throughout the Eastern States and by low farm incomes in the West.

During the month of July, as indicated by the regional barometers, nineteen of the twenty-nine regions narrowed the percentage trade decline from last year. Only eight regions failed to show a rise in the barometer over June, and even in these eight regions, the decreases from 1937 were small. The Iowa and Nebraska area, which experienced very unfavorable trade conditions for several months last year, evidenced the most outstanding gain, as an 18.8 per cent rise in the barometer placed this region in the best comparative position in the country, only 4 per cent below last July. This same area made the highest previous gain, its 5.6 per cent rise from May to June being



at that time the greatest advance recorded since last year.

Indianapolis and Louisville, St. Louis, Denver, and Los Angeles also showed substantial June-to-July increases in trade, as the barometers rose approximately 10 per cent in those regions. The gains, on the whole, were of larger proportions than those registered in the preceding month. Declines in trade activity, on the contrary, were small. The greatest drop was seen in the Chicago area, where the barometer fell 3.5 per cent. The other declines averaged between 1 and 2 per cent.

Geographically, changes in the trade picture were quite evident. New Orleans shared the best comparative position with Iowa and Nebraska. About half the regions, covering the greater part of the territory of the United States, showed average declines from last year of 10 to 20 per cent. As bumper crop prospects continued, the West and South were found in better positions relative to 1937 than was the Northeast, with Middle Western areas showing the greatest improvements.

THE MAP AND TABLE compare the July, 1938, indexes with those for the same month a year ago. In the column at the extreme right of the table there is indicated the relative importance of the regions: the figures are percentages of national retail trade from the 1935 Census of Business.

THE INDEXES for the regions (charted, with U. S., from 1928, on pages 34-37; figures for August, 1937, through July, 1938, on page 34) are composites based on: bank debits (Federal Reserve Board), department store sales (Federal Reserve Board), new car registrations (R. L. Polk & Company), and life insurance sales (Life Insurance Sales Research Bureau). In regions 2, 3, 4, 5, and 14, wholesale sales (Department of Commerce), and in region 2, advertising linage (*Editor and Publisher*), which were found to make those indexes more accurate, are included. In region 15, department store sales have been omitted. Each index is separately adjusted for seasonal variation and for the number of business days in each month. All are comparable. The monthly average for the five years 1928-1932 equals 100. The preliminary figure for the United States (the last month charted below) is computed one month before the regional figures are available.

THE PARAGRAPHS printed opposite the 29 regional charts quote figures for July based on samples of department and retail stores reporting to the Federal Reserve banks; for August and for the first half of September based on opinions and comments of business men in various lines of trade, gathered and weighed by the local DUN & BRADSTREET offices in making up their estimates.



## REGIONAL TRADE BAROMETERS

REGION	July 1938 Regional Index	July 1938 Compared with July 1937 (%)	Retail 1935 Sales %
U. S.	75.1		100.0
1. NEW ENGLAND	66.7		7.8
2. NEW YORK CITY	65.9		10.3
3. ALBANY AND SYRACUSE	78.4		2.6
4. BUFFALO AND ROCHESTER	67.0		1.9
5. NORTHERN NEW JERSEY	67.3		2.9
6. PHILADELPHIA	69.5		6.2
7. PITTSBURGH	66.9		3.7
8. CLEVELAND	71.9		2.9
9. CINCINNATI AND COLUMBUS	81.3		3.1
10. INDIANAPOLIS AND LOUISVILLE	88.4		2.6
11. CHICAGO	74.4		6.4
12. DETROIT	66.4		4.0
13. MILWAUKEE	76.5		2.2
14. MINNEAPOLIS AND ST. PAUL	86.0		4.5
15. IOWA AND NEBRASKA	84.6		3.0
16. ST. LOUIS	82.1		2.5
17. KANSAS CITY	83.4		3.6
18. MARYLAND AND VIRGINIA	91.3		3.8
19. NORTH AND SOUTH CAROLINA	91.0		2.1
20. ATLANTA AND BIRMINGHAM	94.3		3.5
21. FLORIDA	95.4		1.3
22. MEMPHIS	78.7		1.5
23. NEW ORLEANS	92.2		1.0
24. TEXAS	103.0		4.5
25. DENVER	96.8		1.3
26. SALT LAKE CITY	81.1		.8
27. PORTLAND AND SEATTLE	74.5		2.7
28. SAN FRANCISCO	86.2		3.4
29. LOS ANGELES	89.7		3.9

# REGIONAL TRADE BAROMETERS - - - - - REGIONS 1-5

REGION .....	U. S.	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>1937</b>															
August .....	96.3	80.0	86.2	96.3	89.5	91.0	93.3	104.2	105.8	111.1	113.0	96.0	108.9	100.5	98.9
September .....	93.8	81.4	84.2	95.2	85.7	87.6	88.3	99.7	104.0	110.1	109.3	91.9	110.3	100.8	100.3
October .....	90.6	77.3	78.9	92.1	83.2	83.2	83.3	92.8	101.2	108.0	105.1	87.8	107.1	100.1	99.0
November .....	92.3	80.8	78.7	92.9	82.6	82.7	86.5	90.5	87.6	98.4	103.1	90.3	92.0	98.9	99.0
December .....	91.2	78.7	79.5	89.8	81.5	81.2	85.3	93.5	85.3	95.3	100.7	92.3	85.9	98.2	93.0
<b>1938</b>															
January .....	84.8	76.0	73.5	85.9	78.0	75.3	76.1	80.7	80.9	90.8	92.9	89.1	76.9	93.3	93.8
February .....	80.2	74.0	71.0	83.3	74.5	74.9	72.6	78.0	78.6	88.6	87.7	81.8	72.7	88.4	89.2
March .....	79.4	70.3	66.4	78.5	70.7	72.5	70.2	75.9	73.6	81.5	85.1	83.8	67.8	91.6	87.5
April .....	76.7	70.4	67.6	78.9	68.4	69.4	70.2	74.3	75.1	82.5	80.0	76.5	63.4	85.6	91.5
May .....	74.9	66.5	65.1	77.5	67.4	68.4	70.8	69.0	74.0	80.0	81.4	75.3	61.1	77.5	85.2
June .....	74.8	67.8	64.5	73.2	64.1	63.2	70.4	67.3	71.6	79.1	80.5	77.1	63.0	76.9	80.4
July .....	75.1	66.7	65.9	78.4	67.0	67.3	69.5	66.9	71.9	81.3	88.4	74.4	66.4	76.5	86.0
REGION .....	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
<b>1937</b>															
August .....	85.1	90.8	102.6	105.5	107.8	112.1	120.4	96.9	106.1	110.6	111.4	106.4	99.6	101.9	100.8
September .....	88.4	90.3	97.1	108.1	110.5	109.6	114.7	98.3	104.4	115.0	108.3	100.4	96.1	95.1	94.1
October .....	78.5	97.2	92.7	102.8	100.4	101.5	118.8	94.3	95.4	106.9	110.1	99.8	91.6	93.8	95.6
November .....	76.4	90.3	92.5	105.2	95.9	101.6	112.1	80.9	95.5	110.0	107.7	97.3	90.3	100.6	99.4
December .....	81.4	90.0	98.4	105.0	103.6	109.5	110.3	94.3	105.0	114.7	105.0	98.6	87.6	97.0	94.2
<b>1938</b>															
January .....	86.9	90.8	95.7	95.6	99.1	99.6	99.5	89.1	92.7	115.8	97.5	89.2	83.7	88.3	87.4
February .....	76.1	80.9	87.3	93.2	92.0	102.5	100.5	85.8	94.2	110.5	95.9	88.9	80.6	82.0	84.0
March .....	70.6	77.0	85.3	80.5	90.2	97.1	100.6	80.0	95.3	103.1	96.6	81.2	76.9	77.4	76.6
April .....	71.4	76.9	81.9	95.5	85.8	93.0	94.2	81.7	87.6	100.3	92.6	84.4	78.0	82.0	82.4
May .....	67.4	79.0	82.7	88.9	91.8	93.1	102.5	80.4	90.9	99.9	91.9	86.6	75.2	82.0	79.8
June .....	71.2	74.4	84.3	90.6	92.1	91.8	103.0	77.7	88.4	99.5	87.5	80.9	76.4	81.8	81.9
July .....	84.6	82.1	83.4	91.3	91.0	94.3	95.4	78.7	92.2	103.0	96.8	81.1	74.5	86.2	89.7

## 1. NEW ENGLAND

JULY, 66.7 JUNE, 67.8 JULY 1937, 83.7  
JULY—Percentage department store sales decreases from previous July: Boston 10, Providence 17, New Haven 13. AUGUST—Percentage retail trade decreases from previous August: Bangor 10, Portland 5, Manchester 0, Boston 5, Springfield 15, Providence 3, New Haven 15. Wholesale trade decreases: Portland 12, Boston 10, Springfield 15. Payrolls and production generally below last year; steady in Portland and Manchester; some gain shown in month. Cotton textile manufacturing improving. Woolen mills steady. Shoe manufacturing active. Collections steady to slow. SEPTEMBER—Small gains noted in manufacturing activity. Retail trade bolstered by demand for school supplies and by Summer close-out sales.

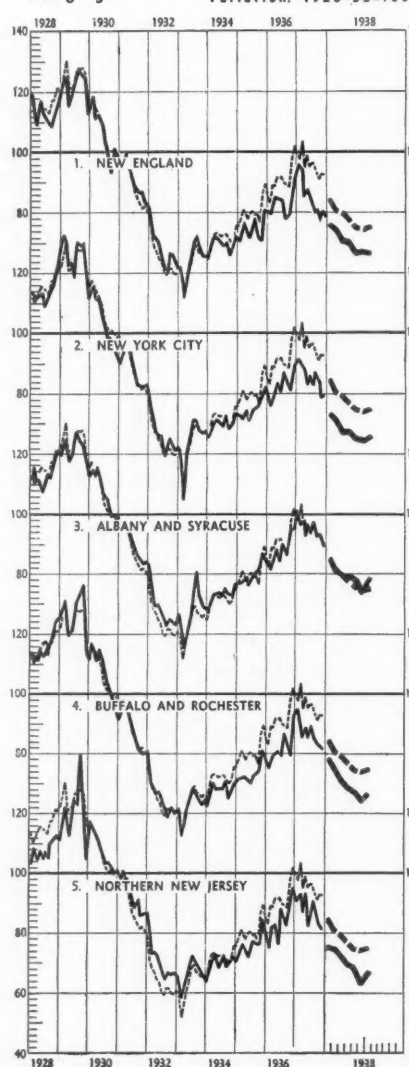
## 3. ALBANY AND SYRACUSE

JULY, 78.4 JUNE, 73.2 JULY 1937, 97.2  
JULY—Percentage department store sales decreases from previous July: Syracuse 14, Northern State 13, Central State 20. AUGUST—Percentage retail trade changes from previous August: Albany —10, Binghamton 0, Gloversville +1, Utica —8, Syracuse —15. Wholesale trade changes: Albany 0, Syracuse —10. Hay, grain, and fruits abundant; prices low. Payrolls and production steady to below 1937. Syracuse automotive industry improved. Utica textile demand spotty. Increased production noted in Binghamton shoe industry; level of activity even with last year. Collections fairly steady. SEPTEMBER—Payrolls showing slow but steady increase; labor troubles at a minimum. Advance of Fall season shows trade improved.

## 5. NORTHERN NEW JERSEY

JULY, 67.3 JUNE, 63.2 JULY 1937, 90.1  
JULY—Northern New Jersey department store sales 16% below previous July. AUGUST—Newark retail volume 8% below previous August; wholesale trade off 2%. Bank clearings 11% below last year in Newark, down 17% in Northern New Jersey.  
(Continued directly opposite)

— Regional  
--- U. S.  
Corrected for Seasonal  
Variation. 1928-32=100



## 2. NEW YORK CITY

JULY, 65.9 JUNE, 64.5 JULY 1937, 86.8  
JULY—Percentage department store sales decreases from previous July: New York City 13, Bridgeport 16, Westchester-Stamford 16. AUGUST—Percentage retail trade decreases from previous August: Bridgeport 10, New York City department store sales 6, parcel deliveries 8, hotel sales 11. Bank clearings 10% below last year in New York, down only 2% in Westchester County. New York City employment up 11% from July level; payrolls show gain of 12%. Retail trade rather slow at Summer's end; hot weather and security market hesitation contributed to lack of interest on part of consumers. Collections slow. SEPTEMBER—Wholesale reorders of women's apparel at high level. Retail sales above 1937 season.

## 4. BUFFALO AND ROCHESTER

JULY, 67.0 JUNE, 64.1 JULY 1937, 89.5  
JULY—Percentage department store sales decreases from previous July: Buffalo 20, Rochester 5, Niagara 16. AUGUST—Percentage retail trade changes from previous August: Buffalo-Rochester-Elmira —8, Jamestown +6. Buffalo wholesale trade off 7%. Crop situation generally good; some damage due to heavy rains; prices fair to higher. Production and payrolls below last year; up from July in Buffalo and Elmira, steady in Rochester, down in Jamestown. Buffalo steel production above national average, at 49% of capacity. Collections slower than year ago; steady in month. SEPTEMBER—Buffalo steel rate maintained at relatively high position. Slight increase noted in the volume of retail sales.

Production and payrolls down from year ago; increase shown in month. Volume of building permits considerably above July level; show gain over level of last year. Collections better than last August; steady in month. SEPTEMBER—Silk mills in Paterson closed by strike; early settlement expected. Cooler weather and reopening of schools combined to raise level of retail trade.

## 6. PHILADELPHIA

JULY, 69.5 JUNE, 70.4 JULY 1937, 91.4  
JULY—Percentage department store sales decreases from previous July: Trenton 8, Philadelphia 13, Scranton 1, Wilmington 3. AUGUST—Percentage retail trade decreases from previous August: Trenton 4, Allentown 15, Philadelphia-York 12, Reading-Johnstown 10, Wilkes-Barre 7, Williamsport-Harrisburg 5; Scranton retail trade up 5%. Philadelphia wholesale trade off 18%. Potato yield heavy; truck crops improved; wheat crop a failure. Payrolls and production generally below 1937; up in Scranton and Allentown due to resumed coal operations and increased activity in steel and textile plants. Collections slow. SEPTEMBER—Manufacturers' orders increased. Clear, cool weather aided wholesale and retail trade.

## 8. CLEVELAND

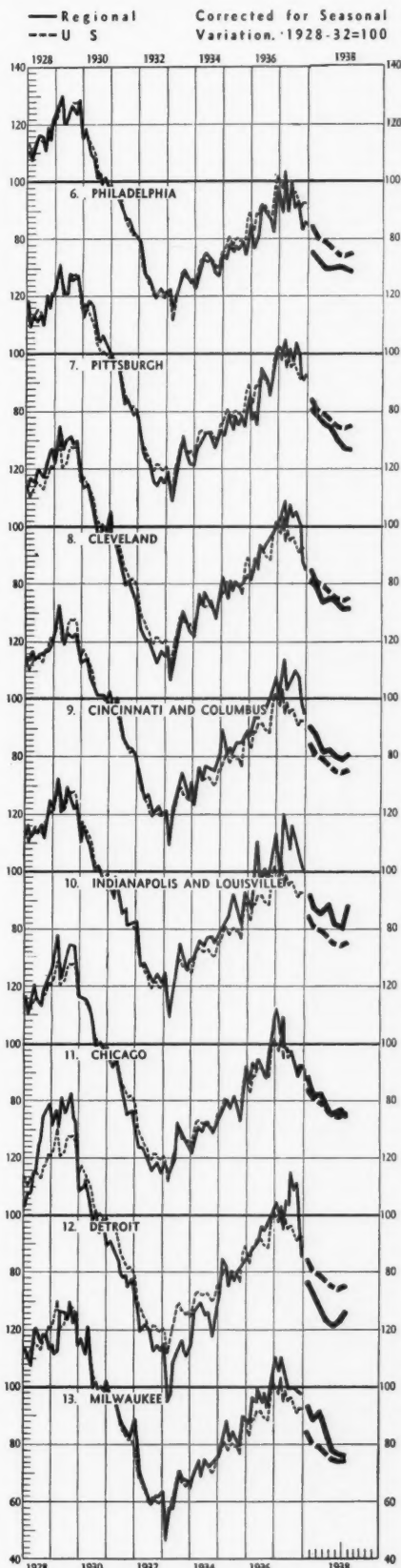
JULY, 71.9 JUNE, 71.6 JULY 1937, 104.4  
JULY—Percentage department store sales decreases from previous July: Cleveland 21, Akron 28, Toledo 23. AUGUST—Percentage retail trade decreases from previous August: Cleveland 12, Akron 24, Canton 40, Lima 19, Toledo 20. Wholesale trade decreases: Cleveland 12, Akron 2, Toledo 20. Crop situation good in spite of lack of rain; prices firm, below 1937. Production and payrolls below year ago; steady to up in month. Steel and machine tool industries active; improvement noted in safety glass and automotive lines. Collections slower than last year; steady in month. SEPTEMBER—Automotive lines report increased activity. Residential building shows gains. Retail and wholesale trade more active.

## 10. INDIANAPOLIS AND LOUISVILLE

JULY, 88.4 JUNE, 80.5 JULY 1937, 116.9  
JULY—Percentage department store sales decreases from previous July: Louisville 17, Indianapolis 7, Fort Wayne 13. AUGUST—Percentage retail trade decreases from previous August: Louisville-Fort Wayne-Terre Haute 15, Evansville-Indianapolis 10. Wholesale trade decreases: Louisville 25, Indianapolis 20. Corn crop yield excellent; prices low; tobacco damaged somewhat by rains. Production and payrolls somewhat higher than year ago, except in Fort Wayne, where agricultural machinery and electrical appliance manufacturing showed declines. Furniture, veneer, and allied lines reported active. Collections slow. SEPTEMBER—Manufacturing operations unchanged since August. Retail and wholesale trade above 1937.

## 12. DETROIT

JULY, 66.4 JUNE, 63.0 JULY 1937, 115.5  
JULY—Detroit department store sales 30% below previous July. AUGUST—Percentage retail trade decreases from previous August: Detroit 25, Grand Rapids 15, Saginaw 30. Wholesale trade decreases: Detroit 25, Grand Rapids 12. Crops better than last year; prices lower; farm income about same. Production and payrolls down from year ago; up in month. Re-employment in automobile parts and accessory lines; General Motors plants inactive during change-over, operations to be resumed in September. Collections slow in comparison to last year; steady since July. SEPTEMBER—Volume of wholesale trade nearly even with last year. Increased factory payrolls and Government spending strengthened retail sales rise.



## 7. PITTSBURGH

JULY, 66.9 JUNE, 67.3 JULY 1937, 97.3  
JULY—Percentage department store sales decreases from previous July: Pittsburgh 19, Wheeling 15, West Virginia State 14. AUGUST—Percentage retail trade decreases from previous August: Erie 20, Pittsburgh 25, Youngstown 35, Clarksburg-Huntington 10, Parkersburg 15, Charleston 5, Bluefield 19. Wholesale trade decreases: Erie 12, Pittsburgh 25, Charleston 5. Crop yields normal in most sections. Payrolls and production down from 1937; up in Youngstown. Steel operations advanced. Glass and chemical activity slightly up in month; plants still fairly idle. Collections slow. SEPTEMBER—Machine tool industry shows production expansion. Seasonal pick-up in retail trade, particularly in apparel lines.

## 9. CINCINNATI AND COLUMBUS

JULY, 81.3 JUNE, 79.1 JULY 1937, 107.8  
JULY—Percentage department store sales decreases from previous July: Cincinnati 12, Dayton 21, Columbus 10. AUGUST—Percentage retail trade decreases from previous August: Cincinnati 10, Portsmouth 15, Dayton 12, Springfield 30, Columbus 8, Zanesville 20. Wholesale trade decreases: Cincinnati 15, Columbus 20. Farming conditions favorable to crops; corn yield heavy; wheat average; fruit normal. Production and payrolls below year ago, but steady to increasing in month, except in Springfield, where agricultural machinery output declined. Steel industry active; machine tool orders at low level. Collections slow. SEPTEMBER—Machine tool and office equipment manufacturing more active. Retail trade somewhat spotty.

## 11. CHICAGO

JULY, 74.4 JUNE, 77.1 JULY 1937, 97.4  
JULY—Percentage department store sales decreases from previous July: Chicago 13, Peoria 7. AUGUST—Percentage retail trade decreases from previous August: Chicago 8, Rockford 20, South Bend 35. Peoria retail trade up 5%. Chicago wholesale trade off only 4%. Corn prospects excellent; some rain needed. Canners' packs of peas and beans large; prices low. Production and payrolls compared to 1937: steady in Peoria and Chicago, down in South Bend and Rockford. Automotive lines improved. Strike hampering Rockford furniture trade. Collections steady with last year. SEPTEMBER—Little change in industrial conditions. Fall and school demands aided wholesale and retail trade volumes.

## 13. MILWAUKEE

JULY, 76.5 JUNE, 76.9 JULY 1937, 99.8  
JULY—Milwaukee department store sales 14% below previous July. AUGUST—Percentage retail trade decreases from previous August: Milwaukee 13, Madison 0, Green Bay 1. Milwaukee wholesale trade off 10%. Excellent growing weather resulted in best crops in years; corn yield very good; prices low. Production and payrolls down from last year in Milwaukee; steady in Madison and Green Bay. Shoe manufacturing and other consumer lines more active than durable goods; heavy machinery output low. Paper mills and cheese processing plants in Green Bay operating at normal capacity. Collections steady. SEPTEMBER—Farm equipment sales at State Fair reported largest in years. Retail trade more active.



## 14. MINNEAPOLIS AND ST. PAUL

JULY, 86.0 JUNE, 80.4 JULY 1937, 101.4  
JULY—Department store sales in the district 5% below previous July. AUGUST—Percentage retail trade changes from previous August: Duluth-Fargo 0, Minneapolis -3, Butte 20, St. Paul-Sioux Falls -5, Billings +5, Great Falls +10. Wholesale trade decreases: Duluth 0, Minneapolis-Great Falls 10. Good wheat and hay yields; North Dakota corn prospects poor; farm prices very low. Payrolls and production below last year. La Crosse rubber mills advanced to four-day week. Duluth ore shipments up slightly. Gain in furniture and flour production in Minneapolis. Collections slower than 1937. SEPTEMBER—Wholesale volume nearly even with 1937. Consumer buying stimulated by cool weather and State Fair activities.

## 16. ST. LOUIS

JULY, 82.1 JUNE, 74.4 JULY 1937, 99.9  
JULY—Percentage department store sales changes from previous July: St. Louis -8, Springfield (Mo.) +6, Quincy -9. AUGUST—Percentage retail trade decreases from previous August: St. Louis-Quincy 5, Springfield (Mo.) 6, Springfield (Ill.) 13. St. Louis wholesale trade off 18%. Vegetable crops good; fruits affected by frost; farm prices fair in St. Louis, low in Quincy and Springfield (Mo.). Payrolls and production below last year; steady to up since July. Shoe and chemical industries show greatest gains for month. Quincy plants still on part-time. Collections fairly steady. SEPTEMBER—Wholesale volume slightly improved, though below last year. Increase in retail trade, particularly in furniture.

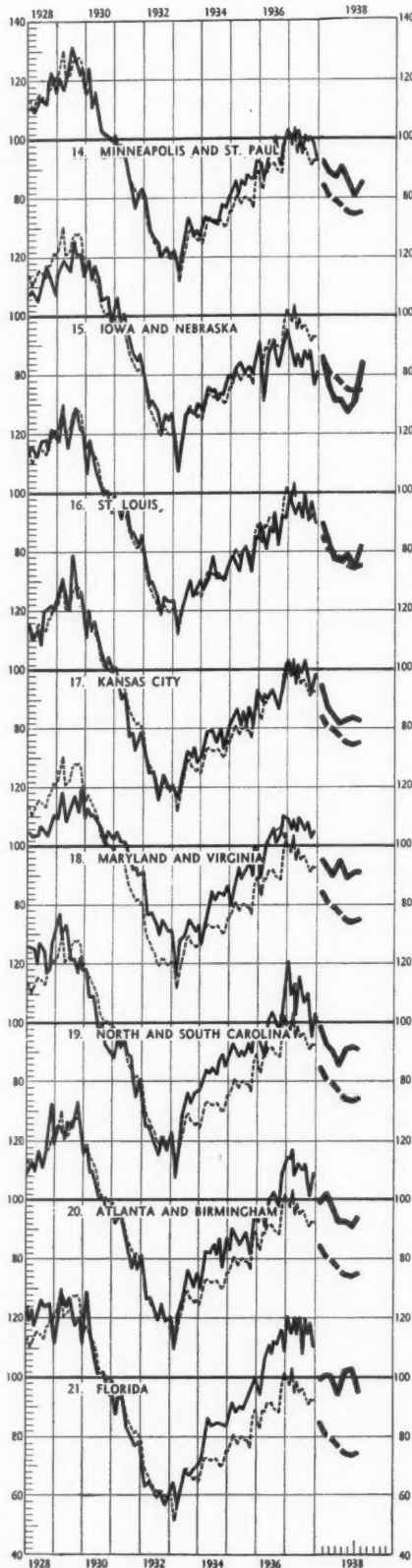
## 18. MARYLAND AND VIRGINIA

JULY, 91.3 JUNE, 90.6 JULY 1937, 106.6  
JULY—Percentage department store sales decreases from previous July: Baltimore 8, Washington 2, Richmond 5. AUGUST—Percentage retail trade changes from previous August: Baltimore-Richmond -5, Washington +2, Norfolk +3, Lynchburg +5, Roanoke -10. Wholesale trade changes: Baltimore -8, Norfolk +2, Richmond -18. Excessive rains reduced crop yields except in Baltimore district, where yield was above average. Payrolls and production generally below 1937; steady in Baltimore and Norfolk; up in Lynchburg. Shoe and overall manufacturers reported increased orders. Textiles showing seasonal advance. Collections steady. SEPTEMBER—Industry more active. Wholesale trade spotty. Retail volume improved.

## 20. ATLANTA AND BIRMINGHAM

JULY, 94.3 JUNE, 91.8 JULY 1937, 110.1  
JULY—Percentage department store sales decreases from previous July: Atlanta 1, Birmingham 10, Montgomery 9, Chattanooga-Nashville 26. AUGUST—Percentage retail trade decreases from previous August: Atlanta-Chattanooga 6, Augusta-Columbus-Montgomery-Knoxville 0, Macon 7, Savannah-Nashville 10, Birmingham 20. Wholesale trade decreases: Atlanta 12, Birmingham 25, Nashville 5. Tobacco crop good; cotton prospects below expectations due to weevil damage and low prices. Payrolls and production steady to below year ago. Textile mills active. Collections fairly steady with last year. SEPTEMBER—Reopening of schools and general improvement in business activity and employment raised level of wholesale and retail trade.

—Regional  
---U S  
Corrected for Seasonal  
Variation. 1928-32=100



## 15. IOWA AND NEBRASKA

JULY, 84.6 JUNE, 71.2 JULY 1937, 88.2  
JULY—Omaha department store sales 1% above previous July. AUGUST—Percentage retail trade decreases from previous August: Burlington-Dubuque-Lincoln 10, Cedar Rapids 5, Davenport 25, Waterloo 2, Des Moines 15, Sioux City 4, Omaha 0. Wholesale trade decreases: Sioux City-Des Moines 10, Omaha 9. Corn and hogs in good condition; oats yield low; prices fair to low. Production and payrolls steady to down from last year; steady to up since July. Increases noted in furniture production, meat packing, building, and food processing lines. Heavy industries even with 1937. Collections steady to slow. SEPTEMBER—Grain shipments above 1937. Dollar-day sales successful; retail trade active.

## 17. KANSAS CITY

JULY, 83.4 JUNE, 84.3 JULY 1937, 102.3  
JULY—Percentage department store sales decreases from previous July: Kansas City 9, Wichita 13, Oklahoma City 5, Tulsa 3. AUGUST—Percentage retail trade decreases from previous August: Kansas City-Topeka-Wichita 10, St. Joseph 8, Tulsa 2. Wholesale trade decreases: Kansas City 13, Oklahoma City 21. Grain and corn crops good; fruit yield low; prices down. Payrolls and production below last year; steady since July. Widespread unemployment in crude oil industry; petroleum output off from year ago. Collections vary: slow in Kansas City, Oklahoma City, and St. Joseph; steady in Wichita and Tulsa; better in Topeka. SEPTEMBER—Manufacturers' orders ahead of last year. Wholesale trade slow. Retail volume greater.

## 19. NORTH AND SOUTH CAROLINA

JULY, 91.0 JUNE, 92.1 JULY 1937, 107.0  
JULY—Percentage department store sales decreases from previous July: North Carolina 10, South Carolina 7. AUGUST—Percentage retail trade changes from previous August: Asheville -3, Winston-Salem -2, Charlotte +2, Raleigh -5, Wilmington 0, Charleston-Greenville -10, Columbia +5. Wholesale trade changes: Wilmington-Charleston 0, Winston-Salem -10. Crops in good condition; prices fair. Payrolls and production fairly steady with last year. Tobacco manufacturing and textile plants on full-time. Furniture production spotty due to cancellation of orders. Collections fair. SEPTEMBER—Building permits fell below last year. Retail trade volume 10% above August; 15% above year ago.

## 21. FLORIDA

JULY, 95.4 JUNE, 103.0 JULY 1937, 108.0  
JULY—Florida department store sales 14% below last July. AUGUST—Percentage retail trade decreases from previous August: Jacksonville 5, Miami 8, Tampa 12. Wholesale trade decreases: Jacksonville 4, Tampa 20. Citrus crop large and in good condition; shipments began early. Other crops not in season. Production and payrolls above last year in Tampa; down in Miami; steady in Jacksonville, two major cigar manufacturers reporting increases in production. Jacksonville bank clearings up since July; customs receipts set new record at highest figure since March, 1937; building permits far above 1937. SEPTEMBER—New \$1,000,000 college construction project to begin. Gains noted in retail trade; level still about 5% below 1937.

## 22. MEMPHIS

JULY, 78.7 JUNE, 77.7 JULY 1937, 92.6

JULY—Percentage department store sales changes from previous July: Memphis —5, Fort Smith +1, Little Rock —1. AUGUST—Percentage retail trade decreases from previous August: Memphis—Little Rock 10, Fort Smith 0. Memphis wholesale trade off 10%. Hot spell reduced boll weevil danger; cotton production over Government quota; picking well under way; quality good, but prices very low. Production and payrolls below year ago; steady to up in month. Lumber orders heavy. Manufacturers of work clothing report good activity. Furniture industry operating at level about 30% below last year. Collections slow. SEPTEMBER—Cotton harvest expected to bolster trade; department store sales above last year.

## 24. TEXAS

JULY, 103.0 JUNE, 99.5 JULY 1937, 117.5

JULY—Percentage department store sales decreases from previous July: Dallas—Fort Worth 6, Houston 3, San Antonio 5. AUGUST—Percentage retail trade decreases from previous August: Dallas—Wichita Falls—Waco—Shreveport 10, Fort Worth 9, Lubbock—El Paso 0, Houston 5, Galveston—Austin 2; San Antonio retail trade up 9%. Wholesale trade decreases: Dallas 10, Houston 3, San Antonio—Fort Worth 9, Shreveport 15. Cotton and wheat crops short, due to drought and Government control; prices low. Production and payrolls steady to below 1937. Oil industry fairly active. Lumber prices low. Collections steady to slow. SEPTEMBER—Moderate improvement in oil industry. Low farm income prospects depressed retail trade.

## 26. SALT LAKE CITY

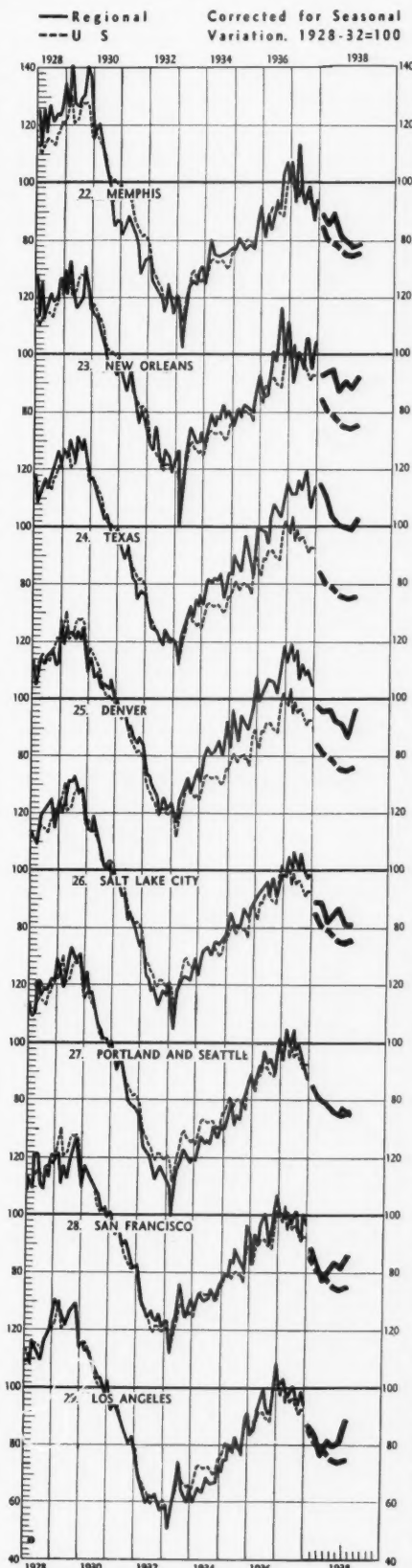
JULY, 81.1 JUNE, 80.9 JULY 1937, 100.5

JULY—Salt Lake City department store sales 3% below previous July. AUGUST—Salt Lake City retail trade 11% below previous August; wholesale trade off 7%. Large wheat crop in intermountain territory. Yields of potatoes, beans, and other crops also high; prices extremely low. Production and payrolls below last August; employment off approximately 10 to 12%. Bank clearings about 18% below August, 1937. Building permits showed 30% increase over last year. Collections steady to poorer in comparison with a year ago; better than in July. SEPTEMBER—Employment gained; still about 15% below 1937. Wholesale volume close to last year. Retail sales increased to level about 5% below year ago.

## 28. SAN FRANCISCO

JULY, 86.2 JUNE, 81.8 JULY 1937, 100.0

JULY—San Francisco—Oakland department store sales off 7% from previous July. AUGUST—Percentage retail trade decreases from previous August: San Francisco 10, Sacramento 4, Fresno 0. San Francisco wholesale trade off 17%. Sugar beet, apricot, and peach crops below average; flax and figs in good condition; prices low. Sugar beet acreage increased as new mills opened. Payrolls and production generally below 1937. Fresno fruit industry active. San Francisco steel and lumber showed increases. Strikes closed 125 warehouses in San Francisco Bay area; retail store strike threatened. Collections slow. SEPTEMBER—Retail store strike a reality; warehouses still closed; trade situation handicapped by labor troubles.



## 23. NEW ORLEANS

JULY, 92.2 JUNE, 88.4 JULY 1937, 95.9

JULY—New Orleans department store sales 4% below previous July. AUGUST—Retail trade changes from previous August: New Orleans 0, Jackson—Meridian —10. New Orleans wholesale trade even with previous month. Cotton yield heavy in some sections, below expectations in others; cane growing satisfactorily; farm prices fair. Production and payrolls steady to below last year. Oil well development continues heavy, with fields in new areas. Lumber industry off in month. Public works projects increasing. Collections steady to slow in comparison with last year. SEPTEMBER—Southern pine mill orders above 1937. Wholesale dry goods and notions trade unchanged. Department store sales 2% above last year.

## 25. DENVER

JULY, 96.8 JUNE, 87.5 JULY 1937, 112.7

JULY—Denver department store sales 7% below previous July. AUGUST—Percentage retail trade decreases from previous August: Denver 8, Albuquerque 15. Fall merchandise continued in moderate demand. Denver wholesale trade off 14%. Market Week activity greater than in 1937. Crops in good condition except in bean farming district; prices low; farm income about 12% below last year. Production and payrolls below last year; steady since July, with gradual improvement evidenced. Coal mining at standstill. Collections slow in comparison with last year; steady in month. SEPTEMBER—Cattle range and pasture conditions best since 1930. Tourist season closed with satisfactory showing. Retail trade shows gain.

## 27. PORTLAND AND SEATTLE

JULY, 74.5 JUNE, 76.4 JULY 1937, 97.9

JULY—Percentage department store sales decreases from previous July: Seattle 9, Tacoma 7, Spokane 8, Portland 8. AUGUST—Percentage retail trade decreases from previous August: Seattle 12, Spokane 6, Portland 10. Wholesale trade decreases: Seattle 33, Portland 10. Good yields of grain and fruit; considerable grain held in storage because of low prices. Yakima Valley and Seattle butter and egg dealers dependent on Government aid. Production and payrolls below last year; steady in month. Logging and fishing at a standstill. Airplane and lumber manufacturing industries active. Collections slow. SEPTEMBER—Employment at highest point this year. Lumber production still rising. Retail trade up.

## 29. LOS ANGELES

JULY, 89.7 JUNE, 81.9 JULY 1937, 100.0

JULY—Percentage department store sales decreases from previous July: Los Angeles 11, Phoenix 1. AUGUST—Percentage retail trade decreases from previous August: Los Angeles 12, San Diego 4, Phoenix 0. Los Angeles wholesale trade off 10%. Hardware, electrical goods, and builders' supplies orders increased. Fruit crops larger than average; deciduous fruit prices very low due to smaller pack by canners. Production and payrolls below 1937. Building activity showed steady gains. Re-employment reported in Arizona copper mines; some companies closed for annual repairs. Collections fairly slow. SEPTEMBER—Crop conditions favorable; citrus prices improved. Furniture industry active. Retail sales volume increased.

## INDUSTRIAL AND COMMERCIAL FAILURES

## 77-B PETITIONS §

NUMBER OF FAILURES			LIABILITIES *			DUN'S INSOLVENCY INDEX †						TOTAL CASES			INDUSTRIAL AND COM'L CASES			
	1938	1937	1936	1938	1937	1936	UNADJUSTED		ADJUSTED ‡		1938	1937	1936	1938	1937	1936		
Jan. . .	1,320	811	1,077	15,035	8,661	18,104	73.0	46.0	63.0	60.1	37.4	51.2	72	38	70	60	31	59
Feb. . .	1,071	721	856	13,359	9,771	14,089	70.1	48.4	56.6	60.9	42.1	48.8	94	45	82	80	35	68
Mar. . .	1,088	820	946	15,567	10,922	16,271	60.4	44.9	53.3	59.8	44.9	53.3	91	73	52	79	44	43
Apr. . .	1,116	786	830	20,106	8,906	14,157	61.9	46.4	50.4	60.1	45.5	49.4	78	52	50	59	34	38
May . .	1,053	834	832	14,559	8,364	15,375	56.0	45.4	46.4	55.4	45.4	46.4	87	61	50	72	43	44
June . .	1,018	670	773	12,236	8,191	9,177	60.8	39.3	44.6	64.0	41.4	46.9	63	53	62	55	35	46
July . .	995	618	639	10,793	7,766	9,904	54.8	36.0	38.3	61.6	40.0	42.6	53	59	37	43	36	33
Aug. . .	974	707	655	11,692	11,916	8,271	51.6	38.1	36.2	60.7	44.8	42.6	50	52	36	44	31	24
Sept. . .	...	564	586	...	8,393	9,819	...	34.0	33.4	...	40.5	39.8	...	32	33	...	21	24
Oct. . .	...	768	611	...	9,335	8,266	...	42.6	36.2	...	46.3	39.3	...	64	48	...	48	33
Nov. . .	...	786	688	...	10,078	11,532	...	49.2	44.3	...	47.8	43.4	...	68	38	...	59	30
Dec. . .	...	932	692	...	13,291	12,288	...	53.5	42.6	...	53.5	42.6	...	90	35	...	78	24
Total . .	9,017	9,185	...	115,594	147,253	...	43.7	45.4	...	44.2	45.5	...	687	593	...	495	466	...

\* In thousands of dollars.

† Apparent annual failures per 10,000 enterprises.

‡ For seasonal variation.

§ For corporate reorganization.

# ANALYZING THE RECORD OF INDUSTRIAL and COMMERCIAL FAILURES

AUGUST DECLINE FOLLOWS SEASONAL PATTERN

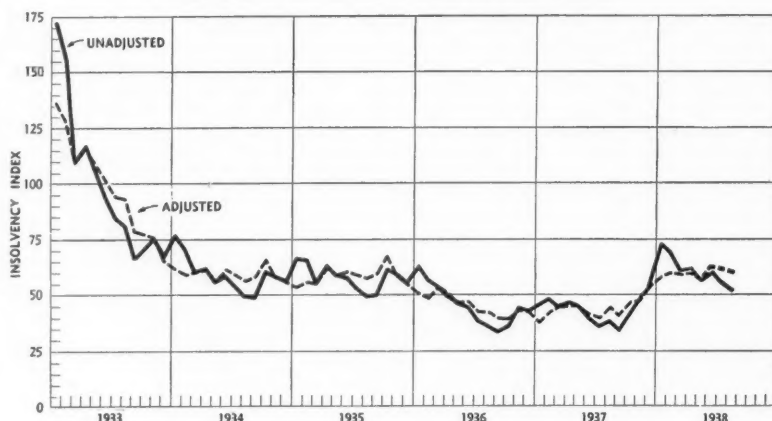
COMMERCIAL and industrial failures numbered 974 in August with liabilities of \$11,962,000, compared with 995 in July with \$10,793,000 liabilities, and 707 with \$11,916,000 liabilities in August, 1937. They conformed to the usual Summer pattern by sliding further down the course toward an expected low point in September. There has been a continuous monthly decline since April, as the table above shows. Liabilities have also shown a drop each succeeding month since April until this current month when they rose some \$1,000,000 because of increased numbers of large failures. Although it would appear that liabilities were about equal this month with a year ago, in spite of greatly increased failures at the present time, this conclusion is misleading. With the one exception of last August, liabilities during the Summer of 1937 were averaging around \$8,000,000.

The insolvency index, which corrects for the number of working days in the

month and relates failures to the number of firms in business, shows that the August decline amounted to a change in the rate of failures from 54.8 a year in every 10,000 firms in business to 51.6. That this decline from July was practically normal, or a trifle sharper than normal, is indicated by a drop in the adjusted index of less than a point,

from 61.6 in July to 60.7 in August. With the exception of a drop in May and a rise in June which practically balanced each other, the adjusted index has hovered close to 60 since the beginning of the year, indicating that 1938 failures have been on a pretty even keel and have reflected little change other than that of seasonal variation.

MONTHLY TREND OF THE INSOLVENCY INDEX



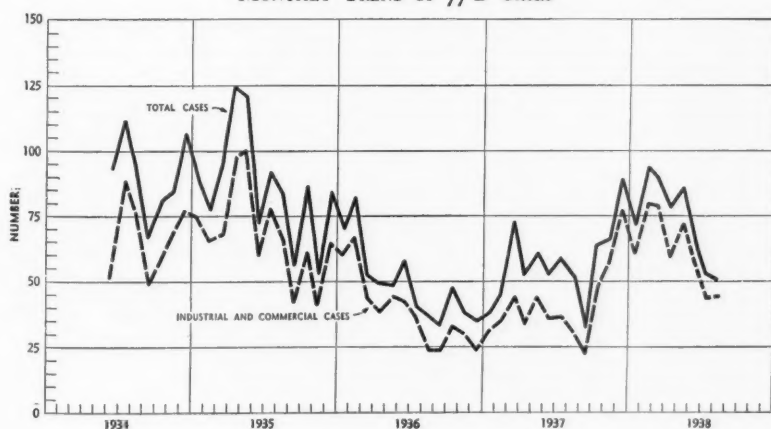


The August drop was caused entirely by fewer failures among manufacturing concerns and commercial services. Retail failures showed no drop, and wholesale trade and construction failures increased. An analysis of the movement of failures in the various main industry groups in August for the last five years shows that the current changes were in some respects normal. Contrary to what one might expect, neither retail nor wholesale trade failures have shown a drop in August in recent years, and whenever the normal August decline of total failures has taken place it has been caused by a drop in manufacturing failures sufficiently severe to offset the upward pull of the other two groups. This year the manufacturing decline was aided by a large drop in commercial service failures.

The manufacturing decrease was strikingly in textiles, forest products, and the paper and printing industries. The wholesale trade increase was in foods and automobiles. The movement within retail trade was uneven, with increases in foods, furniture, and drugs balancing decreases in general merchandise stores, apparel shops, automobiles, and restaurants.

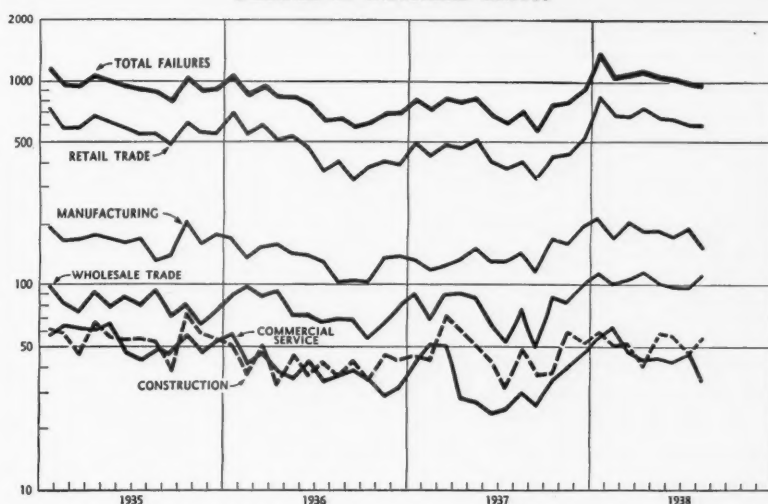
INDUSTRY GROUPS	August 1938	August 1937	Per Cent Change
Manufacturing . . .	153	148	+ 3
Wholesale Trade . .	114	77	+48
Retail Trade . . . .	616	403	+53
Construction . . . .	57	49	+16
Commercial Service .	34	30	+13
Total . . . . .	974	707	+38

MONTHLY TREND OF 77-B CASES



[ 39 ]

FAILURES BY INDUSTRIAL GROUPS



Every line of retail trade and nearly every line of wholesale trade shared in the increase over a year ago.

A breakdown of failures by size indicated increased numbers of substantial failures, ten more than in July of those with liabilities between \$25,000 and \$100,000, and seven more of large failures with liabilities of \$100,000 or over, after decreases in these groups for the last few months. This tendency toward larger failures was evident in all industry groups except commercial service. Numbers in the size group with liabilities between \$5,000 and \$25,000 showed a substantial drop, and the very small failures were unchanged in

number. Comparison with failures of last August by size follows:

LIABILITIES	August 1938	August 1937	Per Cent Change
Under \$5,000 . . . .	417	297	+40
\$5,000-\$25,000 . . .	455	332	+37
\$25,000-\$100,000 . .	91	63	+44
\$100,000 and over . .	11	15	-27
Total . . . . .	974	707	+38

The following Federal Reserve Districts reported fewer failures in August than in July: New York with a 3 per cent decline; Boston with 9 per cent; Kansas City with 19 per cent; Chicago with 20 per cent; Minneapolis with 25 per cent; and St. Louis with 27 per cent. A contrary movement took place in the remaining six districts with increases ranging from 6 per cent in Atlanta and San Francisco to 36 per cent in Dallas.

FEDERAL RESERVE DISTRICT	Jan.-Aug. 1938	Jan.-Aug. 1937	Per Cent Change
Minneapolis . . . .	149	121	+ 23
New York . . . . .	2,426	1,896	+ 28
Richmond . . . . .	430	326	+ 31
Kansas City . . . .	366	279	+ 31
Boston . . . . .	809	560	+ 45
Dallas . . . . .	166	114	+ 46
San Francisco . . . .	979	671	+ 46
Cleveland . . . . .	643	419	+ 53
Chicago . . . . .	1,344	840	+ 60
Philadelphia . . . .	531	325	+ 64
St. Louis . . . . .	340	183	+ 86
Atlanta . . . . .	452	233	+ 94
Total . . . . .	8,635	5,967	+ 45

Apparently what happened during the month over the country was a decided drop in manufacturing and retail

failures in the largest cities—New York, Chicago, Philadelphia, and Detroit showing substantial declines. These decreases were balanced by increases in retail trade in the Southern sections of the country and on the West Coast, which kept the net retail figure unchanged and accounted for an increase in failures outside the 25 largest cities.

### 77-B Cases

Applications for reorganization under Section 77-B numbered 50 in August, 44 of them commercial and industrial cases, compared with 53 in July, of which 43 were commercial and industrial. The 77-B cases thus reached the lowest point for the year, but those strictly commercial and industrial in nature were more than in August, 1937, or August, 1936, in spite of the fact that this is the last full month of such applications under the old law.

### 77-B APPLICATIONS BY MAIN DIVISIONS OF INDUSTRY—AUGUST 1938 AND 1937

	Aug. 1938	July 1938	Aug. 1937
Manufacturing .....	22	19	17
Wholesale Trade .....	8	6	3
Retail Trade .....	14	12	5
Construction .....	..	..	..
Commercial Service .....	..	6	6
Others (*) .....	6	10	21
Total United States .....	50	53	52

(\*) Not included in tabulation of commercial failures, such as real estate and investment companies.

After September 22, only those corporations with secured indebtedness may apply for "reorganization." Corporations with only unsecured debts may file for an "arrangement" and thus obtain the protection afforded under 77-B while working out regular composition or extension.

Of the 44 August cases it would appear from limited reports that only 18 had secured debts and would be eligible to file applications for reorganization under the new law.

Because of the change in the law and the break-up of the old 77-B class, the distinction between these cases and regular failures will no longer be maintained in the DUN & BRADSTREET failure

### FAILURES BY DIVISIONS OF INDUSTRY—AUGUST, 1938 AND 1937

(Liabilities in thousands of dollars)

	Number			Liabilities		
	Aug. 1938	July 1938	Aug. 1937	Aug. 1938	July 1938	Aug. 1937
TOTAL UNITED STATES .....	974	995	707	11,692	10,793	11,916
MANUFACTURING (total) .....	153	191	148	3,246	3,214	5,603
Foods .....	34	27	31	394	305	743
Textiles .....	34	56	30	1,057	834	548
Forest Products .....	11	23	11	120	338	146
Paper, Printing and Publishing .....	8	20	21	214	293	257
Chemicals and Drugs .....	8	7	5	91	100	103
Fuels .....	2	1	8	76	95	2,675
Leather and Leather Products .....	6	6	9	62	166	245
Stone, Clay, Glass and Products .....	6	6	2	472	350	29
Iron and Steel .....	6	12	5	170	243	54
Machinery .....	12	12	10	256	231	348
Transportation Equipment .....	4	1	6	130	18	237
All Other .....	22	20	10	204	241	218
WHOLESALE TRADE (total) .....	114	97	77	2,213	1,927	2,346
Farm Products, Foods, Groceries .....	46	24	32	602	445	582
Clothing and Furnishings .....	8	9	5	67	91	23
Dry Goods and Textiles .....	2	2	4	220	90	146
Lumber, Building Materials, Hardware .....	10	9	6	231	191	58
Chemicals and Drugs .....	1	4	1	2	30	3
Fuels .....	3	2	4	114	473	1,033
Automotive Products .....	13	6	3	295	55	105
Supply Houses .....	4	9	3	31	91	18
All Other .....	27	32	19	651	461	378
RETAIL TRADE (total) .....	616	617	403	4,761	4,855	2,896
Foods .....	167	157	124	884	920	811
Farm Supplies, General Stores .....	27	17	17	178	122	86
General Merchandise .....	23	29	18	244	378	126
Apparel .....	120	132	57	998	879	376
Furniture, Household Furnishings .....	55	46	20	551	511	154
Lumber, Building Materials, Hardware .....	33	33	32	402	388	264
Automotive Products .....	47	58	31	414	610	376
Restaurants .....	59	66	51	565	477	327
Drugs .....	47	35	25	228	233	163
All Other .....	38	44	28	297	337	213
CONSTRUCTION (total) .....	57	45	49	1,128	376	634
General Contractors .....	9	6	7	198	60	97
Carpenters and Builders .....	20	14	12	721	142	247
Building Sub-contractors .....	27	25	28	205	174	185
Other Contractors .....	1	..	2	4	..	105
COMMERCIAL SERVICE (total) .....	34	45	30	344	421	437
Cleaners and Dyers, Tailors .....	10	11	5	68	73	30
Haulage, Buses, Taxis, etc. ....	5	16	8	44	142	170
Hotels .....	3	1	3	116	28	123
Laundries .....	2	3	2	16	44	7
Undertakers .....	5	8	2	51	85	31
All Other .....	9	6	10	49	49	76

records. Revised figures from 1934 to date will incorporate both series in one.

### Canadian Failures

Although Canadian failures increased from 72 in July to 102 in August, the accompanying liabilities dropped \$231,000 or from \$826,000 to \$595,000 because of fewer large failures.

The increase was mainly in retail trade failures, supplemented by a few additional failures in construction. It was about evenly divided between cities and outlying sections, although confined largely to the Province of Quebec.

Note: In DUN'S STATISTICAL REVIEW there are published more detailed failure statistics by States, large cities, industrial divisions, and size of liabilities.

# SIGNIFICANT BUSINESS INDICATORS

COMPILED BY THE STATISTICAL STAFF OF "DUN'S REVIEW"  
More detailed figures appear in "DUN'S STATISTICAL REVIEW"

## Building Permit Values—215 Cities

Geographical Groups:	August 1938	August 1937	Change P. Ct.	July 1938	Change P. Ct.
New England . . . . .	\$8,920,817	\$5,485,201	+ 62.6	\$5,072,926	+ 75.9
Middle Atlantic . . . . .	36,011,863	21,981,456	+ 63.8	82,825,033	— 56.7
South Atlantic . . . . .	9,159,216	11,139,781	— 17.8	8,566,323	+ 6.9
East Central . . . . .	15,040,189	21,816,765	— 31.1	16,561,129	— 9.2
South Central . . . . .	10,205,284	8,251,303	+ 23.7	7,920,962	+ 28.9
West Central . . . . .	4,448,051	3,881,593	+ 14.6	4,061,145	+ 9.5
Mountain . . . . .	1,619,294	1,621,490	— 0.1	1,439,388	+ 12.5
Pacific . . . . .	15,328,612	13,406,649	+ 14.3	14,356,658	+ 6.8
Total U. S. . . . .	\$100,733,326	\$87,584,238	+ 15.0	\$140,803,564	— 28.5
New York . . . . .	\$27,312,482	\$13,167,997	+ 107.4	\$72,966,921	— 62.6
Outside New York . . . . .	\$73,420,844	\$74,416,241	— 1.3	\$67,836,643	+ 8.2

## Bank Clearings—22 U. S. Cities

(Millions of dollars)

	Monthly		Daily Average		
	1938	1937	1938	1937	1936
January . . . . .	21,798	27,226	871.9	1,089.0	971.6
February . . . . .	17,583	23,720	799.2	1,078.1	959.3
March . . . . .	22,822	29,412	845.3	1,089.3	1,023.4
April . . . . .	21,667	26,086	833.4	1,003.3	950.4
May . . . . .	20,169	23,951	806.8	958.0	898.9
June . . . . .	23,959	25,903	921.5	996.3	1,005.7
July . . . . .	21,624	26,015	865.0	1,000.6	952.5
August . . . . .	19,716	22,260	730.2	856.2	818.0
September . . . . .	24,076	23,927	963.0	957.1	957.1
October . . . . .	24,668	25,852	986.7	994.3	994.3
November . . . . .	21,796	24,554	947.6	1,116.1	1,116.1
December . . . . .	25,805	31,153	992.5	1,198.2	1,198.2
Total . . . . .	300,918	298,790	996.7	996.7	987.1

## Bank Clearings for Individual Cities (000 omitted)

	August 1938	August 1937	Change P. Ct.	July 1938
Boston . . . . .	\$793,996	\$867,701	— 8.8	\$883,259
Philadelphia . . . . .	1,450,000	1,500,000	— 3.3	1,466,000
Buffalo . . . . .	124,268	150,061	— 17.2	125,246
Pittsburgh . . . . .	439,187	610,262	— 28.0	449,388
Cleveland . . . . .	343,047	432,782	— 20.7	355,992
Cincinnati . . . . .	209,718	259,687	— 19.2	226,716
Baltimore . . . . .	258,520	287,837	— 10.2	266,252
Richmond . . . . .	175,419	163,201	+ 7.5	146,329
Atlanta . . . . .	219,400	223,200	— 1.7	204,700
New Orleans . . . . .	148,593	146,015	+ 1.8	138,903
Chicago . . . . .	1,125,704	1,379,215	— 18.4	1,198,774
Detroit . . . . .	346,489	460,046	— 24.7	338,291
St. Louis . . . . .	334,842	381,210	— 12.2	338,508
Louisville . . . . .	126,412	138,047	— 8.4	129,421
Minneapolis . . . . .	304,582	335,022	— 9.1	274,592
Kansas City . . . . .	374,625	460,414	— 18.6	426,683
Omaha . . . . .	123,929	136,583	— 9.3	124,721
Dallas . . . . .	199,986	216,017	— 7.4	197,695
San Francisco . . . . .	590,003	668,055	— 11.7	598,201
Portland, Ore. . . . .	124,361	143,543	— 13.4	122,253
Seattle . . . . .	151,180	180,578	— 16.3	143,615
Total 21 Cities . . . . .	\$7,961,261	\$9,139,476	— 12.9	\$8,155,539
New York . . . . .	\$11,755,054	\$13,120,591	— 10.4	\$13,468,737
Total 22 Cities . . . . .	\$19,716,315	\$22,260,067	— 11.4	\$21,624,276

## Dun & Bradstreet Weekly Food Price Index

The index represents the sum total of the wholesale price per pound of 31 commodities in general use:

Weeks:	1938	1937	1936	1935
Sept. 20 . . . . .	\$2.42	\$2.92	\$2.78	\$2.77
Sept. 13 . . . . .	2.44	2.89	2.82	2.77
Sept. 6 . . . . .	2.42	2.86	2.84	2.77
Aug. 30 . . . . .	2.41	2.87	2.81	2.72
Aug. 23 . . . . .	2.42	2.87	2.82	2.74
Aug. 16 . . . . .	2.41	2.90	2.85	2.75
Aug. 9 . . . . .	2.44	2.90	2.82	2.71
Aug. 2 . . . . .	2.46	2.90	2.84	2.67

HIGH LOW

1938 . . . . .	\$2.53	Jan. 4	\$2.34	May 10
1937 . . . . .	\$3.01	Mar. 16	\$2.56	Dec. 28
1936 . . . . .	\$2.94	Dec. 29	\$2.52	May 19

## Dun & Bradstreet Daily Weighted Price Index

30 Basic Commodities

(1930-1932 = 100)

	1938			
	Sept.	Aug.	July	June
1 . . . . .	104.55	104.49	105.63	102.89
2 . . . . .	104.68	104.36	* . . . .	102.43
3 . . . . .	* . . . .	104.77	* . . . .	102.98
4 . . . . .	+ . . . .	104.64	* . . . .	* . . . .
5 . . . . .	* . . . .	104.86	105.39	+ . . . .
6 . . . . .	103.73	* . . . .	106.32	102.84
7 . . . . .	104.11	+ . . . .	105.17	103.16
8 . . . . .	104.46	103.80	105.19	103.22
9 . . . . .	104.24	103.41	* . . . .	103.92
10 . . . . .	* . . . .	103.67	+ . . . .	104.23
11 . . . . .	+ . . . .	103.20	104.90	* . . . .
12 . . . . .	104.61	102.55	105.35	+ . . . .
13 . . . . .	104.49	* . . . .	105.95	105.03
14 . . . . .	105.12	+ . . . .	105.30	105.32
15 . . . . .	104.74	102.81	105.43	105.44
16 . . . . .	104.59	102.99	* . . . .	105.48
17 . . . . .	* . . . .	103.83	+ . . . .	105.49
18 . . . . .	+ . . . .	103.98	105.10	* . . . .
19 . . . . .	104.85	104.21	105.60	+ . . . .
20 . . . . .	104.54	* . . . .	105.25	105.50
21 . . . . .	104.26	+ . . . .	105.07	105.55
22 . . . . .	104.25	104.21	105.33	105.64
23 . . . . .	104.75	104.28	* . . . .	105.42
24 . . . . .	104.04	+ . . . .	105.80	* . . . .
25 . . . . .	103.94	103.94	105.01	* . . . .
26 . . . . .	103.98	103.98	105.08	+ . . . .
27 . . . . .	* . . . .	105.19	106.37	* . . . .
28 . . . . .	+ . . . .	104.88	105.71	* . . . .
29 . . . . .	104.52	104.98	104.95	* . . . .
30 . . . . .	104.51	* . . . .	105.19	* . . . .
31 . . . . .	104.23	+ . . . .	* . . . .	* . . . .

+ Sunday. \* Markets closed.

HIGH LOW

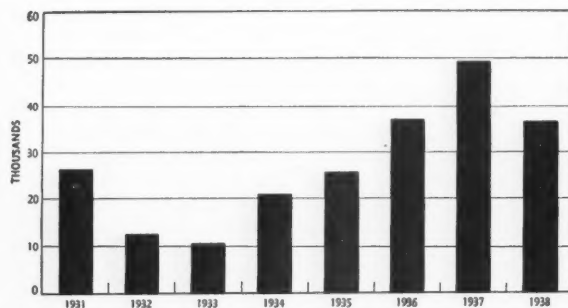
1938 . . . . .	117.06	Jan. 10	102.43	June 2
1937 . . . . .	158.26	Apr. 5	114.83	Dec. 30
1936 . . . . .	142.65	Dec. 31	115.13	May 27



# THROUGH THE STATISTICIAN'S EYES

ODD AND INTERESTING ITEMS FROM THE MONTH'S RECORD

## Pianos



PIANO SHIPMENTS—1931-1938 (first six months of each year only)—National Piano Manufacturers' Association—Shipments in the first-half of 1938 were 27 per cent below the same period of 1937, and 2 per cent below 1936, but sharply above all other years in the period surveyed.

IN 1923, members of the National Piano Manufacturers' Association shipped 343,000 pianos to their customers. The highest total since 1909, that figure has never again been equalled—other mechanical music makers having taken the place of the "players" that made up more than half of the year's sales in 1923.

Despite severe competition from radio and phonograph, there are indications that the piano has succeeded fairly well in holding its own during recent years. Moving up rapidly from the depression low of 27,000 in 1932, shipments reached 106,000 in 1937, not far below the 121,000 sold in prosperous 1929. They dropped back again in the first half of 1938 along with general retail sales, but resumed their advance in August—jumping ahead of July by approximately 100 per cent, and cutting the spread below 1937 to 14 per cent.

Interesting in the figures for the first half of 1938 was the evidence that the uprights withstood the depression far better than the grands: the former dropped 20 per cent, but the latter almost 43 per cent from the level for the corresponding 1937 period. The better showing of uprights was attributed to the growing popularity of "miniature" models.

## Output Per Man-Hour

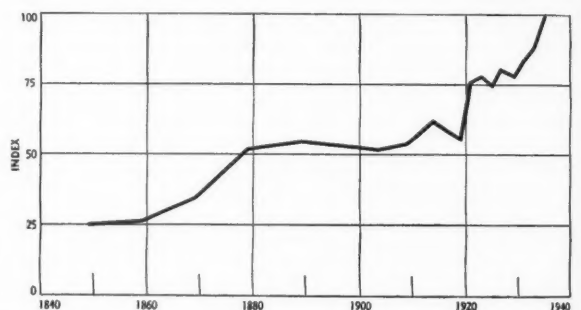
"LABOR PRODUCTIVITY in the Leather Industry" is another study in the WPA's series on changes in machine- and manpower in industry. (Last month reference was made to the report on technological developments in bituminous coal mining.)

Peculiarities of the product make impracticable a thorough mechanization of leather production processes, the

survey points out. Despite this fact, considerable progress has been made in raising the productivity level in the industry. From 1849 to 1935, output per man per hour has advanced some 75 per cent. In the early part of this period, machines played the leading rôle in increasing the average worker's productive capacity, the first wave of mechanization, between 1860 and 1880, accounting for a sharp advance of 27 points in the productivity index.

Recent gains must be attributed, however, to factors other than technological developments. Improvement of the organization and management of labor the report puts first as an immediate cause. Contributing to this improvement was an expansion in production, enabling factories to retain the trained labor forces so essential in the trade.

Until the turn of the century, the rapid increase in production was sufficient to prevent any large displacement of workers as a consequence of the gains in productivity.



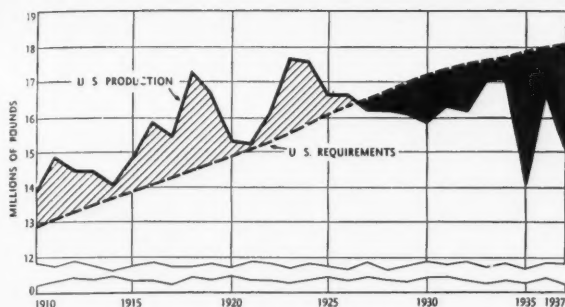
PRODUCTION PER MAN-HOUR IN LEATHER INDUSTRY—(1935 = 100)—1849-1935, Manufacturers' Census years—Works Progress Administration—Despite a sharp gain in the productive capacity of individual workers, labor displacement has been fairly negligible in tanneries.

Later, shortening of the working week took up the slack, the drop in the number of wage earners between 1925 and 1932 being put at less than 9,000—instead of the 19,000 that might have been displaced as a result of the higher productivity and the decline in demand.

## Meat

CONCERNED OVER the heavy shrinkage in our exports of farm products during the last decade, the National Association of Manufacturers has made a study of the situation in the three products—cotton, grains, and meat—which accounted for over 90 per cent of the drop.

The accompanying chart, showing meat production against estimated requirements, is reproduced from the Association's report. The figures for production cover both



MEAT PRODUCTION AND REQUIREMENTS—1910-1937—National Association of Manufacturers—Based on an increasing population with per capita needs of 140 pounds of meat, domestic meat requirements have risen above production in the past decade.

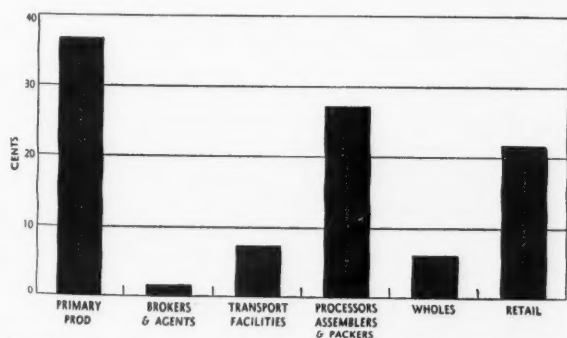
inspected and non-inspected meats. Domestic needs are based on total population multiplied by estimated requirements of 140 pounds per capita. No allowance is made for dietary changes that might have affected actual demand.

The chart supports the Association's contention that our domestic production of meat recently has not even been sufficient to satisfy our own needs. Before this commodity can again become a major export item, the report points out, production must be expanded sharply—to a level exceeding all previous peaks in our history.

### Food Budget

WHEN the American Housewife spends her weekly \$12.50 on food (an average budget made up with the assistance of the U. S. Department of Agriculture), she pays only \$4.57 to the man who produced it. According to Lazo and Bletz, authors of "Who Gets Your Food Dollar?" (Harper & Brothers), the remainder of her food money goes to the broker, the transportation agent, processor, packer, wholesaler, and retailer.

These agents in turn divide their receipts among their various expense items, retaining, on the average, some profits for themselves. Their "normal disbursements," the

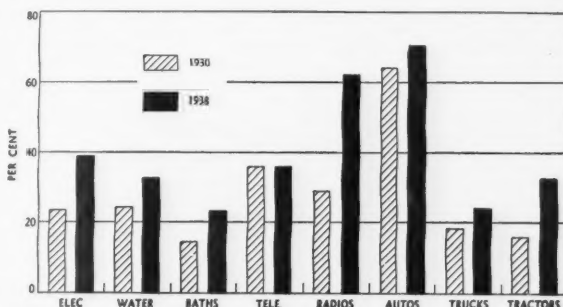


WHO GETS YOUR FOOD DOLLAR?—Harper & Brothers, 1938—Authors Lazo and Bletz divide Mrs. Housewife's grocery dollar according to the average amount that various producing and distributing agents add to her food bill.

authors point out, would cut up the food dollar as follows: 8 cents for primary materials, 47 cents for salaries, wages, and labor, 13 cents for maintenance, repairs, rentals, and new equipment, 19 cents for miscellaneous services and expenses, 6 cents for direct taxes, 7 cents in net profits. The 7-cent margin which goes to the agents for performing their services is split as follows: 1.1 cent to the farmer, 0.4 cent to the transportation agencies, 0.1 cent to brokers, 2.7 cents to manufacturers and processors, 0.5 cent to the wholesaler, and 2.5 cents to the retail grocer.

### Comforts of Home

TRANSLATED into radios, running water, bathrooms, electricity, trucks, tractors, and automobiles, the American farmer's standard of living has shown a marked improvement in the past eight years. Of the modern conveniences, only telephones have not become more common on farms since 1930.



PER CENT OF FARMS OWNING FACILITIES—1930 and 1938 (as of January 1)—Bureau of the Census—A higher proportion of ownership of all modern conveniences, with the exception of telephones, testifies to the farmer's progress in raising his level of living in recent years.

The latest survey made by the Bureau of the Census (as of January 1, 1938) covers a comparatively small sample of 3,000 farms. Despite limitations in the data for a comprehensive appraisal of farm living conditions, the Bureau considers the results sufficiently representative to give a general indication of both the level and the trend of farm living. The report points out, however, that the farms included in the survey are probably somewhat above the average for the country as a whole.

Among the various facilities, largest increases in the eight-year period occurred in electricity, radios, and tractors. The proportion of farms with electricity was approximately 70 per cent greater, with radios and tractors roughly 100 per cent greater. As a result of the spread in ownership, out of every ten farms in early 1938, four were able to boast electricity; six, radios; and three, tractors. Running water was in approximately three out of every ten farms, baths and motor trucks in two, telephones in four, and automobiles in seven.

# HERE AND THERE IN BUSINESS

WHAT'S NEW AS OBSERVED BY THE AGENCY'S REPORTERS

**O**F COURSE they seldom do fall to the street, but the thousands of window cleaners leaning against space on thin straps add immeasurably in suspense to the drama of office life. We, for one, shall be sorry to see them go.

Business is business, nonetheless, and Supreme Window Sales Corp., New York, is doing its best to start a new era. In normal use their window works just like the double hung ones everywhere. When the two sashes are moved to a certain position, however, the jig is up. They swing into the room, top sash on one side, bottom on the other. Cleaning is done inside, in dull safety.

**Migration**—Ten years or more ago Luxembourg, Liechtenstein, and numerous obscure Swiss townships began to rise into prominence in the sphere of international finance, havens for scared money. During the years of flight from the franc Monte Carlo, too, saw refugee funds, (*DUN'S REVIEW*, June, 1937), but this time not funds in flight from boredom.

Not adverse to the attendant new tourist trade and additional fees for

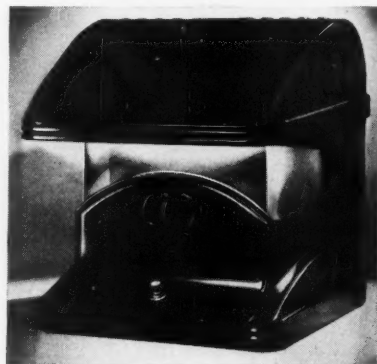
local banks and lawyers, these towns made sure that their legislation in no way frightened the new credits. Towns, emigré funds, and air lines, all were happy. (Please don't point at any State in the Southeast.)

Now, however, the *London Financial News* reports that the popularity of these hamlets is on the wane. Too near the frontiers of potentially hostile countries. Led by French capital, migratory money these days flows to Tangier. Away from the danger zones of Europe, it is further a city under an international régime. Its statutes on foreign holding companies and trusts are congenial as they are, and because international zones change their legislative spots with difficulty its present legislation may pretty well be relied upon as being permanent.

**Waves**—Many an after-dinner definition of Polaroid glass has begun: "You see, there are light waves and light waves . . ." and concluded " . . . at any rate they say there's no glare."

This is our attempt (not the first one, and lately we've had some help):

Every inch of Polaroid contains billions of tiny, invisible crystals with their needle-like axes all parallel. In passing through Polaroid ordinary light, with its erratic wave motion, is combed so that emerging light waves are vibrating only in the plane of the crystals. Glare is caused by horizontal waves



**POLAROID**—While manufacturers of other new Polaroid products wait on further research they have been licensed temporarily to sell this modernistic desk lamp.

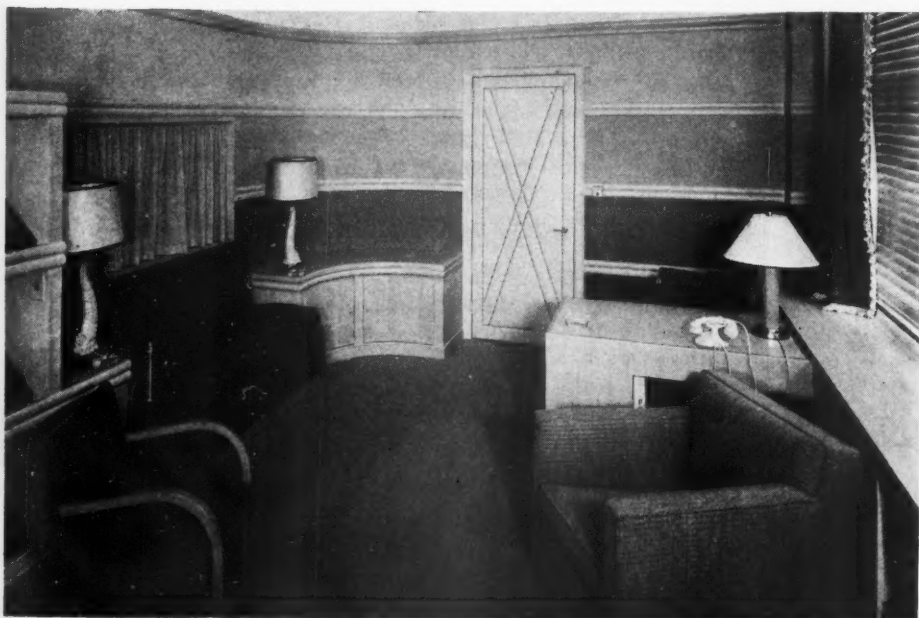
which skip off a reflecting surface, like a stone skipped on water, but these waves Polaroid sorts out. Hence, no glare.

Already many know it in the form of glare-eliminating sun-glasses. Its makers claim at least 799 other possible uses, and meanwhile the manufacturers who are still busy bringing them to commercial practicality have been licensed to sell the first lighting unit, a modernistic desk lamp. Late readers report remarkably diminished eyestrain.

**Order**—The state of the world being what it is, there are hundreds of general trade agreements, clearing clauses, payments clauses, special tariff provisions, and quota arrangements existing among the nations of the world, which widely influence international trade. (*DUN'S REVIEW*, September, 1938.) Business men engaged in foreign trade have long since abandoned efforts to cart this luggage around in their hats.

For handy review in desk drawer or on office wall, however, The Chase National Bank, New York, has set up a bi-lateral chart which brings a certain order to this confused realm. The chart is arranged so that the names of 52

**CLEAN SWEEP**—Protection from noise for harassed tycoons is what L. C. Chase & Company, New York City, had in mind when they commissioned David Ayres to plan this room. Walls are covered with Leatherwove; Sanvale fabrics are used for draperies; Seamloc carpets on the floor, Velmo upholstery on the chairs. All are Chase products.





"Take a letter to Dun's Review Readers—

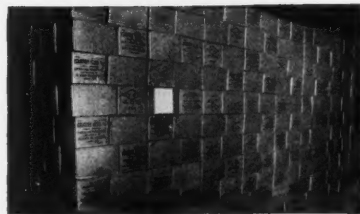


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countries run down one side, the same 52 across the top. An observer can determine at a glance, in keyed symbols, the chief arrangements now existing between any two nations.

**Alliance**—One exhibit which stenographers will be eying suspiciously at the National Business Show, New York City, during the first few days of this month is that labeled Castype. The Castype Corporation, Chicago, has married the humble typewriter to the linotype machine, and the whole works, in one piece, can now move into the office.

To mollify the skepticism of potential operators Castype hastens to say that the machine is operated completely by electricity, is clean, odorless, and air-cooled, and that the typist need not dress differently, in protective garb.

Castype sets type slugs at typewriter speed, justifies margins automatically, and will cast any line as many times as desired without rewriting. Several styles and sizes of type are available in a single machine, but no office boy's

aid is needed to help change from one to another. Another feature will appeal to the thrifty: the sheet in the typewriter supplies visible proof of the copy being set. Thus errors may be caught and corrected before the line is cast.

**SPCA**—Thanks to the efforts of the chemical fraternity fewer cattle will shiver in the Winter drawing near. For one thing, certain hogs will keep the natural fur which might have gone

into the toothbrushes sold under a Dr. West label. Beginning this month newspapers and magazines will reflect an impressive promotion effort on behalf of Miracle-Tuft, made from a duPont plastic.

Called "Exton" by duPont, the new bristle is adaptable to many other types of brushes—hair and hand, to name a couple; not yet ready for paint. More certainly than the hog, the new manufacturers can control the stiffness of their bristles. It's simply a question of the size hole through which the mid-process plastic mass extrudes.

On another front, busy scientists in the Department of Agriculture have perfected a synthetic wool made of the casein in skim milk. Alleged advantages over the natural product are again an ability to regulate the fineness and length of the fiber. Softer grades may be worn even by the sensitive who have known the hives-like wool rash. The inventors anticipate manufacture at a price on a par with rayon. Skim milk products already on the market include paper coatings and billiard balls.



**MARRIAGE**—To the lowly typewriter, the linotype machine. Castype sets slugs at typewriter speed, justifies margins automatically, and will cast any line as many times as desired without rewriting. The machine is operated by electricity, and a typist.

## THE BUSINESS BOOKSHELF

BUSINESS . . . FINANCE . . . ECONOMICS . . . GOVERNMENT

**I**T IS now a full three months since that July day when you first noticed the ruptures which your associates' vacations were causing in business routine, when you yourself began commuting week-ends to the ends of the earth to catch a glimpse of your family.

Meanwhile, with only slight regard for your distractions, the publishers have continued to turn out their books on business and related subjects. Before the year is out the total will number between seven and eight hundred, and even the Summer allotment is a good wagon-load.

At least a half of this load you will never want to hear about again. Many books we shall not mention here because of limited interest. But in the

remainder are some which you certainly will want to have with you, or at least have abstracted for you, in the more orderly weeks to come.

### Government

GOVERNMENT CORPORATIONS AND FEDERAL FUNDS, by John McDiarmid, University of Chicago Press, \$2.50.

SAVE AMERICA FIRST, by Jerome Frank, Harpers, \$3.75.

THE COMING VICTORY OF DEMOCRACY, by Thomas Mann, Knopf, \$1.

### Economics, Sociology

PRICE AND PRICE POLICIES, by Walton Hamilton and associates, McGraw-Hill, \$4.

THE CHALLENGE OF HOUSING, by Langdon W. Post, Farrar & Rinehart, \$3.50.

AMERICA'S STAKE IN INTERNATIONAL INVESTMENTS, Karl T. Schlotterbeck, Brookings, \$4.

BUSINESS AND MODERN SOCIETY, a symposium, Harvard University Press, \$5.

LABOR ON THE MARCH, by Edward Levinson, Harpers, \$3.

SIT DOWN WITH JOHN L. LEWIS, by C. L. Sulzberger, Random House, \$1.50.

MONETARY POLICIES OF THE UNITED STATES, 1932-1938, by James Daniel Paris, Columbia University Press, \$2.75.

THE RISK OF UNEMPLOYMENT AND ITS EFFECT ON UNEMPLOYMENT COMPENSATION, by James W. Horwitz, Harvard University Press, \$1.

THE COST PRINCIPLE IN MINIMUM PRICE REGULATION, by Herbert F. Taggart, University of Michigan, \$1.

INDUSTRIAL PRICE POLICIES AND ECONOMIC PROGRESS, by Edwin G. Nourse and Horace B. Drury, Brookings, \$2.50.

PUBLIC UTILITY REGULATION, by G. Lloyd Wilson, James M. Herring, and Roland B. Eutsler, McGraw-Hill, \$4.

DIFFERENTIALS IN INDUSTRIAL WAGES AND HOURS IN THE UNITED STATES, by M. Ada Beney, National Industrial Conference Board, \$3.50.

### Finance

CORPORATION FINANCE, by Kenneth Field, Ronald, \$4.

INVESTMENT OF TRUST FUNDS, a symposium, Duke University, 75 cents.

INVESTMENT POLICIES FOR COMMERCIAL BANKS, J. Harvie Wilkinson, Jr., Harpers, \$2.50.  
 THE MARGIN TRADER, Kemper Simpson, Harpers, \$2.  
 THEORY OF INVESTMENT VALUE, by John Burr Williams, Harvard University Press, \$5.

#### Principles and Practice

INVENTIONS AND THEIR PROTECTION, by George V. Woodling, Penton Publishing Company, \$5.  
 SMOOTH SAILING LETTERS, by L. E. Frailey, Prentice-Hall, \$2.  
 ADVERTISING IDEAS, by John Caples, McGraw-Hill, \$4.  
 REAL ESTATE, PRINCIPLES AND PRACTICES, by Philip A. Benson and Nelson L. North, Prentice-Hall, \$5.  
 SALES ADMINISTRATION, PRINCIPLES AND PROBLEMS, by Bertrand R. Canfield, Prentice-Hall, \$5.  
 EXECUTIVE SALARIES AND BONUS PLANS, by John Calhoun Baker, McGraw-Hill, \$3.50.  
 BEFORE YOU SIGN THE ADVERTISING CHECK, by Mark Wiseman, Harpers, \$2.50.

#### Miscellaneous

BUSINESS FINDS ITS VOICE, by S. H. Walker and Paul Sklar, Harpers, \$1.25.  
 CONSUMERS' CO-OPERATION IN GREAT BRITAIN, a symposium, Harpers, \$4.  
 THE MIDDLE WAY, by Harold Macmillan, Macmillan, \$2.50.  
 MERCHANTS OF PEACE, by George L. Ridgeway, Columbia University Press, \$3.75. A history of the International Chamber of Commerce.

## MOVING DAY AGAIN

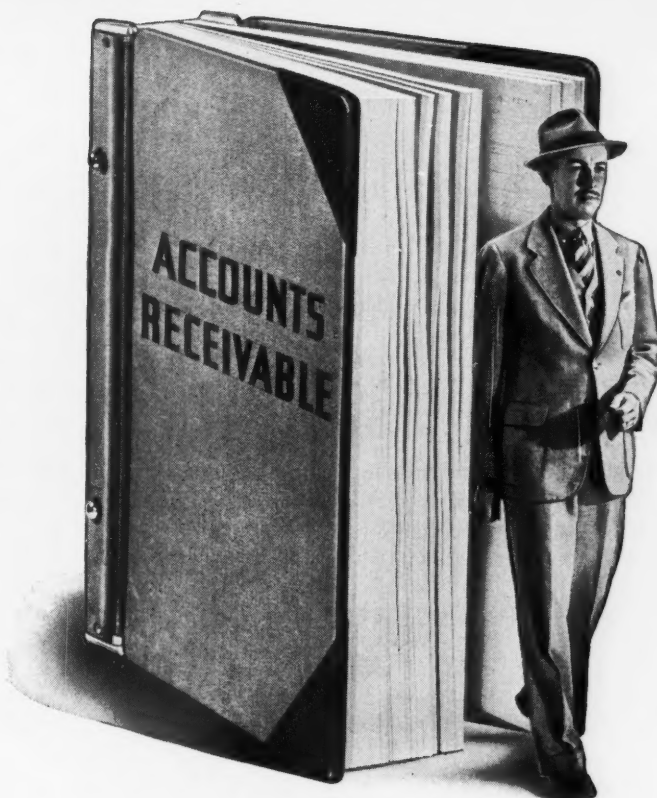
(Continued from page 28)

of six or seven years, and most of the good effects accomplished at that time have now been lost."

New York City has had much the same experience. Several times committees have been formed to study the question. They have always reported in favor of staggered leases as being an unmitigated good for everyone concerned—real estate men, tenants, movers, contractors, labor.

Only two years ago a committee of the Real Estate Board of New York submitted a report on the Advantages of Staggering the Expiration Dates of Leases on One to Four Room Apartments. I quote, verbatim, from that report:

"Why is it, or why ever was it, necessary for apartment owners, or agents, or tenants, or utility and moving van companies, or painters and decorators and contractors, and all others affected by the one-date system—why is it necessary to submit to the fearful, laborious burdens imposed upon all who have attempted the impossible



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task of moving such a vast number of people in one day—often within one hour?" This seems a bit exaggerated. However, to continue with the report:

"For over two years this committee has sought diligently the answer to this question. It has sent out hundreds of questionnaires and letters to owners and agents in order to obtain the solution of the problem, and here is what it found as a majority consensus:

"Most owners and agents would prefer a balanced allocation of expiring leases on multiple dates.

"So would tenants.

"So would most utility companies, moving van owners, painters, contractors of all kinds, building employees, clerical employees of owners and agents.

"The Committee has studied the subject from all angles. It has received the assurance of those of its members who have been staggering leases for years, as well as of many prominent

owners and agents who have already adopted it, that the system *has* relieved many of the October 1 problems; that it *has* been beneficial and economical; and, above all, that it *has not* resulted in a wholesale loss of tenants by raiding competitors—a fear which, subconsciously or otherwise, seems to be the fundamental underlying reason for the belief that all apartments should lose their tenants at one and the same time."

It is true that several owners of extensive apartment house properties around New York have been staggering their leases successfully for many years. It is also true that there are a number of influential owners and agents who come in the die-hard category. They maintain with notable unanimity that without definite "market days" such as those of May 1 and October 1, any landlord is apt to find himself with an increased number of unrented apartments on his hands. At

any rate, the recommendations of the committee were not put into effect. It was decided that it would be inadvisable to make any such radical change under "present conditions," as one real estate man put it. So, no matter when you rent an apartment in New York, and in most other cities, the real estate agent will probably insist on the lease expiring on May 1 or October 1.

I was able to discover only one city—I had to promise not to name it—where there is practically uniform expiration of leases the year round. That town has such a surplus of apartments that the tenants have been in the saddle for several years. Such complete control have they over the steed they are riding that they unanimously refuse to rent on anything other than a monthly basis. Thus they are free to move on 30 days' notice—and they take full advantage of that freedom. There is no Moving Day there—Moving Day is any old number on the calendar.

## INDUSTRY'S NUMBER ONE PROBLEM

(Continued from page 8)

except in a very small percentage of cases. In the case of other suppliers the opportunities for favorable contact are also great. Salesmen who sell to you travel and talk with a great many people. Their opinion of you, gained by actual contact, is a substantial factor in mass opinion. Intelligence in purchasing, courtesy, and consideration for suppliers' representatives are well worth a re-survey.

3. CUSTOMERS. Practically everyone is a customer of business and of industry. In this field the possibilities of contact are limitless. And they are being developed in a highly effective manner by many companies. The question for the individual industrialist or business man to ask is whether or not the maximum possibilities of the customer contact are being fully utilized in his company to build an understanding of and goodwill toward the fundamentals upon which the business structure rests. The increasing burden of the cost of government is one of the many vital issues of the day which is being brought home to customers of business and industry. In the final analysis, the customer pays all of these tax bills, directly or indirectly, and

when that fact sinks home to people extravagance in public expenditures, waste, corruption, and abuse of public trust will touch that pocket-nerve which always has and always will aid in the formulation of attitudes.

4. THE COMMUNITY. Industry and business are the life-blood of communities. Every individual in the community is better off or worse off because of what happens to business and to industry. This great fundamental truth and many other aspects of the community relationships of industry need re-survey, study, and intelligent programs of effort. The terrific cost of industrial strife is not borne by those few who instigate it. It is not borne entirely by the employees who lose wages and by the company which loses sales. The cost percolates into every business establishment in the community. The grocer feels the effects. The boy who peddles newspapers or shines shoes or sells pop feels the effects. The cost of strife is money out of the pockets of virtually every citizen.

Ignorance of the workings of its local industries is the rule rather than the exception. People live within sound of the machinery of a factory and yet

never are invited to see the inside of it. They don't know what it's all about, and yet there they are—ready to be shown. There is a real opportunity to promote greater understanding by encouraging contacts of people in the community with its industries.

5. STOCKHOLDERS. They and others like them with whom business and industry have dealings represent another important group, and a re-survey of relationships with this group is a natural part of any well-planned effort of public relations.

It is high time that vigorous action is taken. Business and industry must assume the leadership. It cannot be left to chance. At stake are all of the values of our common life which have set America apart from the rest of the world as a land of high living standards. Business and industry have created those standards, working in the spirit of the founders. They have not just happened. They have been built. And it is so much easier to destroy than to create. Lest we learn through the bitterness of losing it the value of what we have enjoyed, we must gird ourselves to solve this Number One Problem.

## OVER THE EDITOR'S DESK

**Y**ES, you doubtless have seen "Johnson Heywood" (pages 25-28) before. Mr. Heywood is a contributor to most of the leading business magazines, writing on management, economic, and technical subjects. Much of his work is in collaboration with business and professional men. Among the books he has written in collaboration are *Operating Aspects of Industrial Mergers*, *Taking the Guesswork Out of Business*, *How to Solve Typical Business Problems*, and *Production Planning and Cost Accounting*.

When Jules I. Bogen ("Excess Capacity in Wall Street?") was graduated from Columbia in 1922 he joined the staff of *The Journal of Commerce*. Successively he held the railway, finan-



JOHNSON HEYWOOD

cial, and managing editorships and became chief editor in 1933; there he sits now.

But this does not mean that the academic world saw the last of Dr. Bogen sixteen years ago. Patiently for four years he rode the subway the considerable distance between his downtown (New York) office and Morningside Heights, and by 1927 had won master's



JULES I. BOGEN

and doctor's degrees at Columbia. Meantime, in 1924, he had begun to teach at New York University, and has ever since. He has held the rank of professor since 1930.

Presumably time was not hanging heavy on Dr. Bogen's hands in this period, but in 1930 and 1931 he served also as technical advisor to the Senate Committee on Banking and Currency. For Senator Glass's sub-committee he prepared the report on the relations between the banking system and the security markets, both before and after 1929, which constituted Volume VII of their final report.

This month's article by Willard L. Thorp ("Pricing Policies and Customer Classification") is a paper he prepared for the Seventh International Management Congress, which met in Washington last month. Pages 9-16, which carry the report of the mid-1938 inventory survey, are doubly Dr. Thorp's, as Editor of *DUN'S REVIEW* and as Director of Economic Research here at *DUN & BRADSTREET*. Under his direction the survey was supervised by Walter Mitchell, Jr., and Fernley G. Fawcett.

### DUN'S REVIEW

290 BROADWAY

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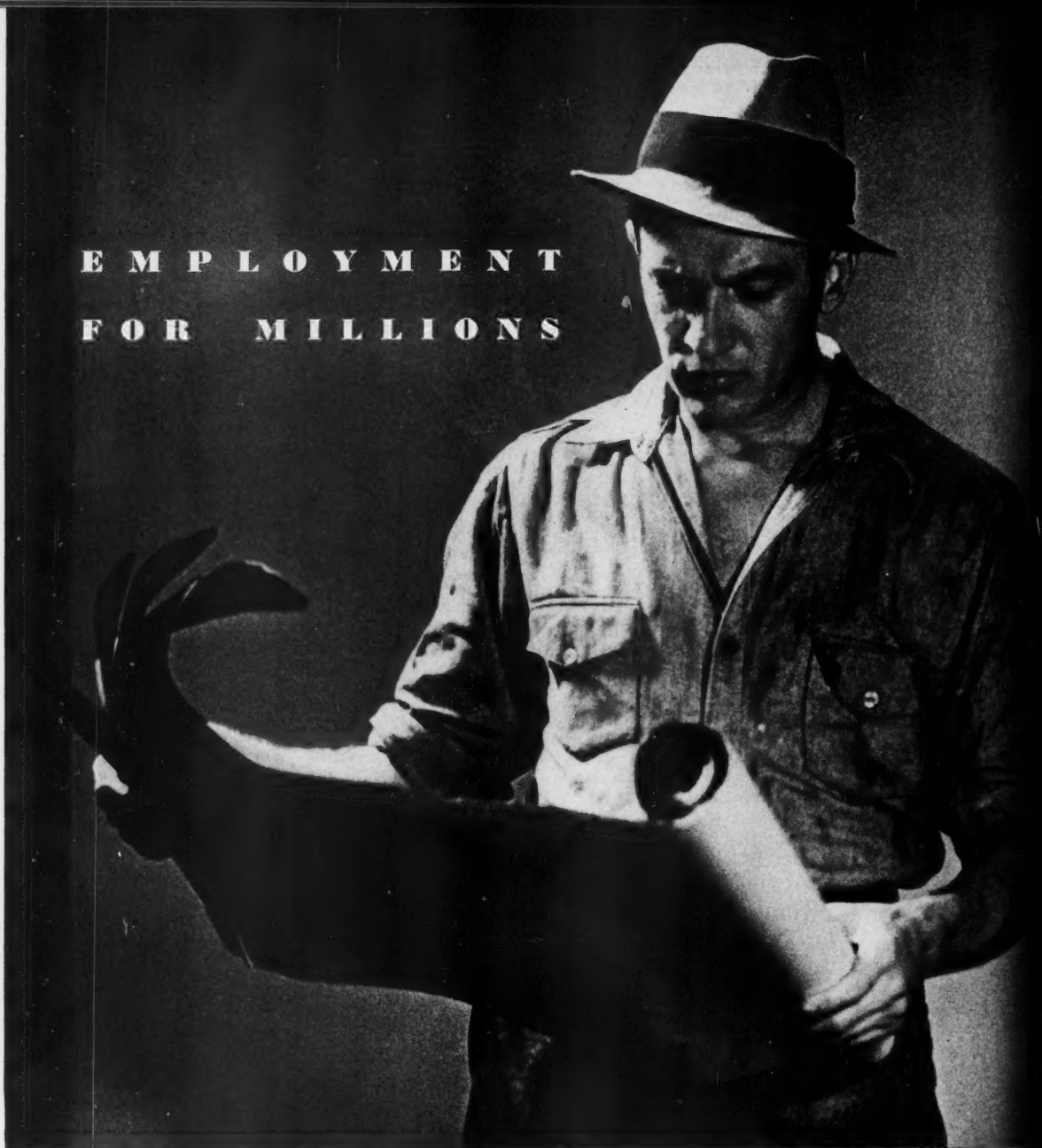
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## EMPLOYMENT FOR MILLIONS



EWING GALLOWAY

RECENTLY an experimenter in low-cost housing had completed a group of houses after an intense effort to capture every possible economy. And then, in the installation of the utilities, the front yards were opened six different times.

One product whose recent technological progress has not been sufficiently appreciated is the house. The combined effort of many agencies and interests is providing more and more house per dollar. But housing is more than the house itself. While the financial angle has been taken care of by the Government, two important sources of economy remain. First is operation on a scale permitting the savings of large-scale

production. Even ten houses cost only nine times as much as one. Second are costs controlled by local conditions. These local restrictions range all the way from obsolete building codes to racketeering.

Government projects now give real promise of providing housing at rent levels impossible for private enterprise to touch, even with the lowered costs of recent years. There still remains a tremendous market for private construction, but widespread cooperation and local support are required to get the most housing at the lowest cost. Housing offers our best chance for underwriting a strong and sustained recovery.

*Willard L. Thorpe*

E D I T O R



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